Say

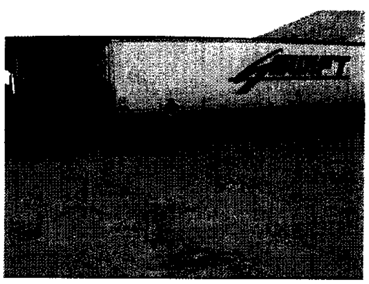
"YES"

to your

Neighborhood

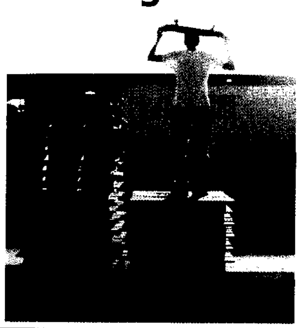
Skateboard Park

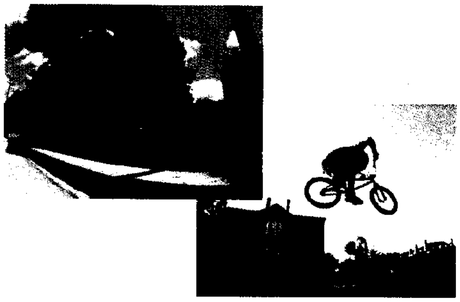
A Presentation by the Dover Public Skatepark Project



Skateboarding

- Is fun
- Is popular
- Is good exercise





- There are skateboarders in Dover.
- There are skateboarders in your neighborhood.

Skateboarders need a place to skate...

- Designed for them
- Intended for their use
- Free of conflict with other uses

Often skateboarders practice in places that…

- Are not intended for skateboarding
- Have conflicting activities
- Are not safe

This is a skatepark:

A skatepark is…

- Designed with the skater in mind
- Designed for skaters of all abilities, from beginner to advanced
- Also used by BMX bikers, in-line skaters, and scooter riders

- Because a skatepark is challenging, exciting, and fun,

  most skaters choose to skate there,

  rather than in the street.

Advantages of a skatepark in your neighborhood:

- Safe place for local kids to have fun
- Parents will know where find their kids
- Enhanced "Quality of Life" for community
- Great exercise for kids (and adults)

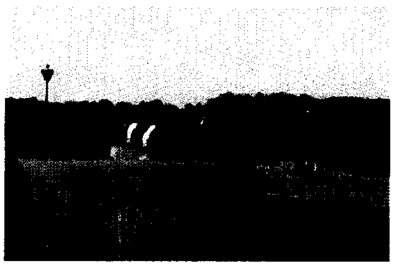
Common Concerns:

"How dangerous is skateboarding?"

- Compared to traditional sports--football, baseball, basketball, soccer--skateboarding has fewer injuries.
  (U.S. Consumer Product Safety Commission)

"Will a skatepark be an eyesore?"

- Professionally designed concrete skatepark can have a visual appeal that enhances the appearance of a community.

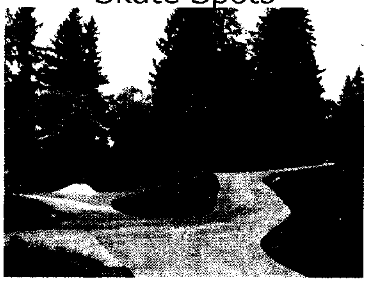


"Are skateparks noisy?"

- The noise from a skatepark is less than that of nearby road traffic.

Your Questions?

Skate Spots



Skate Spots

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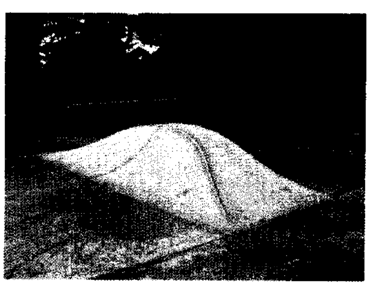

Skate Spots

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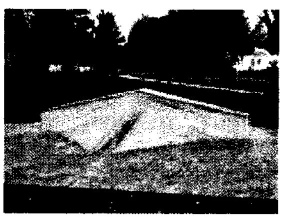
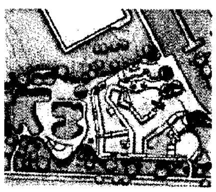


Skate Spots

Skatepark

Skatepark



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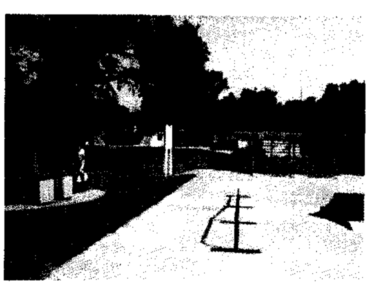

Skatepark

Skatepark

NMTC/Leveraging Proposal – Questions & Answers 2/1/09

Here are Answers to the most common Questions that have come up in the various jurisdictional meetings. More details of implementation will be worked out in February/March if there are enough funds pledged to the statewide leveraging fund to move forward.

1. **How will the New Markets Tax Credits/Leveraging proposal affect the types of projects the jurisdictions want to do?**

NMTC Leveraging will not change the jurisdiction's foreclosure recovery activities. All NSP eligible uses are permissible under NMTC guidelines. The properties can be for-sale, NMTC-qualified rentals (single or multi-family), and can be utilized by partners for shelters, assisted housing programs or community facilities as permissible by NSP and NMTC regulations. <u>The main reason for joining the statewide Leveraging initiative is to multiply NSP funds so you can address more vacant, foreclosed homes and have additional resources to provide buyer incentives to make sure you can sell the homes</u>.

2. **What does the Delaware State Housing Authority think of this Leveraging Initiative?**

"DSHA encourages leveraging other funds with Neighborhood Stabilization Program funds. The New Markets Tax Credits model could bring millions of additional dollars of funding to Delaware to be used to enhance our Neighborhood Stabilization Program. While there are still many details to work out, DSHA encourages each jurisdiction to explore this model to understand how we may be able to use this model to increase our impact." DSHA 1/27/09.

3. **If our jurisdiction pledges its NSP funds to the statewide leveraging program, will we give up control of the key decisions – like which neighborhoods to target, partners we plan to work with, etc.?**

Your jurisdiction and partners retain primary control over the direction of your program under the eligible activities of the NSP & NMTC programs.

4. **If we pledge NSP funds to the statewide leveraging, will I have to rewrite the NSP plan that I gave to DSHA?**

No. The Jurisdictional Plans should remain as they are now with current activities, production estimates, and program indicators. DSHA will make whatever modifications or supplementals are needed in relation to the statewide plan that is submitted to HUD.

5. **I've heard that NMTCs are very competitive and can be difficult to obtain? How will Delaware be assured of getting credits?**

NMTCs are a highly competitive business. Most "allocatees," that is, the organizations that are approved to receive a Tax Credit allocation, make their applications based upon specific projects planned years in advance. Morgan Stanley New Markets, our partner in this proposal, already has an allocation of $95 million in tax credits from 2007 that are not project-specific. Some of these credits have already been assigned to projects. Morgan Stanley is actively looking for good projects that can be implemented soon because these 2007 credits need to be assigned to projects by the end of 2009. If Delaware's NSP-jurisdictions pledge collectively $7 million or more to the proposed program, then Morgan Stanley will assign the appropriate amount of credits to Delaware. This is the key to moving forward and the reason why this opportunity is very real. If we didn't have a NMTC holder interested in our initiative - we would not be able to act in time to take advantage of the NSP funding opportunity.

6. Why is Morgan Stanley New Markets interested in Delaware?

The NSP program in Delaware is one of the largest coordinated plans in the country. So it's an attractive investment for tax credits. Additionally, the fact that a portion of the money would be invested in rural areas of our state is a plus because most NMTC are invested in urban areas. This would be a feather in Morgan Stanley's cap.

7. Is there any problem with co-mingling NSP and NMTC funds?

No. We have briefed the top civil service official at HUD (with direct responsibility for the Neighborhood Stabilization Program) on our proposal to leverage NSP funds using NMTCs. He sees no problem with this leveraging proposal.

NSP funds are a brand new source of funds that have not been spent by anyone in the country yet. NSP funds are, however, being treated by HUD like Community Development Block Grant (CDBG) funds and handled under "disaster relief" implementation guidelines, so in that sense, the guidelines for use are not completely new. NMTC funds have been used since 2000 in combination with many different sources of federal funds for business development, real estate development and many other community development purposes. New Community Partners has extensive experience in managing these types of large programs.

8. NSP funds are to be targeted to Zip codes where foreclosures are most problematic. What guidelines govern how NMTC funds to be spent?

NMTC are targeted to Qualified Census Tracts (QCTs) - low- and moderate-income census tracts identified by the Federal government. When the Delaware QCTs are overlaid on DSHA's high priority foreclosure Zip codes, there is substantial overlap within each jurisdiction. It is safe to say that the work planned by the jurisdictions will meet the NMTC requirement that at least 50% of NMTC funds be spent within QCTs.

9. Who will do all the paperwork and accounting for the NMTC/NSP activities?

The Joint Venture (JV) company (a third party with extensive experience in managing complex Federally-funded community development programs using NMTC, CDBG and other funds) will handle all the NSP & NMTC accounting and paperwork for jurisdictions that pledge their NSP allocation to the statewide fund (Delaware Investment Fund). The JV will be paid for through a portion of the additional equity brought to the deal through NMTCs. No NSP funds will be used for this purpose.

10. What are the roles of each of the NMTC project team?

Diamond State Community Land Trust: Diamond State CLT is coordinating the team effort to put the leveraging proposal together for the benefit of all of Delaware's NSP recipients. This role has no bearing on how many homes are designated as CLT homes. Those decisions belong to the jurisdictional teams.

Morgan Stanley New Markets, LLC: Morgan Stanley has a 2007 allocation of NMTCs that are available for use for Delaware's NSP leveraging. If Delaware elects to move forward with this initiative, Morgan Stanley will look for investors for the DE/NMTC allocation.

New Community Partners: New Community Partners has extensive experience managing NMTC projects, Hope 6 projects, CDBG projects, and leveraging multiple federal sources. Their expertise will be utilized for Delaware's NSP project in the area of compliance and reporting.

Discover Bank: Discover Bank is providing technical assistance to Diamond State CLT for CRA service credit. Discover may bid to become the lender or a NMTC equity investor, but will not be given preferential credit.

11. How do each of the NMTC project team members benefit from the project?

Diamond State CLT: Leveraging the NSP funds will enable all the jurisdictions to do more in their areas of service. More money in the pool will allow for more properties to be purchased and resold and for deeper subsidies and other buyer incentives as needed. As such, there will be more funds and properties available for all of the partners, which should create more permanently affordable owner-occupied CLT homes throughout our state.

Morgan Stanley New Markets, LLC: Allocations of NMTCs are difficult to receive. It is a very competitive process and it is important for a Community Development Entity (CDE) to utilize all of their allocations in an efficient manner to qualify for more credits. Additionally, Morgan Stanley, as a bank holding company, has CRA credit and this project will qualify.

New Community Partners: The mission of New Community Partners is to do community development projects through the use of federal dollars to get homes into the hands of people who need it. They will be compensated, like any other business, for their compliance and reporting efforts and any additional services that the jurisdictions choose to assign.

Discover Bank: The bank will seek CRA service credit for the technical assistance it is providing to Diamond State CLT. The bank may also choose to bid, alongside other institutions, for the leveraged loan, and/or the NMTC equity.

12. How will the NMTC project affect the jurisdiction's ability to work with their established NSP partners?

Jurisdictions continue their relationships with their partners just as planned. The main difference is that there will be more funds to work with and supplemental staff, paid for by a portion of the NMTC equity, to help get the work done.

13. How will investing my jurisdiction's NSP funds into the Delaware Investment Fund affect my on-the-ground initiatives?

Entering into the NMTC leveraging program will not slow down the funding to the jurisdiction and its partners. Each jurisdiction's program plans, relationships with partners, and working relationship with DSHA remain the same.

14. If we choose to invest our NSP funds to the Delaware Investment Fund (DIF), will we lose access to those funds? Even for a time?

No. None of the NSP funds are consumed by the DIF. By pledging NSP funds to the DIF, a jurisdiction is simply committing to having its NSP funds flow through DIF, enabling the Leveraged Loan and the NMTC Equity to be gained (the multiplier effect). For instance, instead of asking DSHA for a draw of $150K against its NSP allocation to buy a vacant house, the jurisdiction would access the cash needed through the Delaware Investment Fund. DIF would then, in turn, request a draw from DSHA against that particular jurisdiction's NSP allocation. The NSP funds remain in the financing mechanism and keep working for your jurisdiction well after the initial transaction. The Leveraged Loan & the NMTC equity do the work while the NSP anchors the financing mechanism.

15. If my jurisdiction places NSP funds in the Delaware Investment Fund as a financing mechanism, what happens to the purchase/rehab for-sale and for-rent activities that we want to do?

NSP funds pledged and then invested in DIF will be used as a "financing mechanism," in a technical sense. That's the first HUD category listed under "NSP eligible uses" in the HUD guidelines. Your NSP funds work to accomplish exactly the activities planned now - environmental reviews, appraisals, & purchase and rehab of homes, etc.

NSP funds invested through DIF serve to multiply the funds; they are not a diversion away from the foreclosure recovery activities that NSP is designed to address. HUD strongly encourages leveraging and will be very pleased with any NSP recipients that figure out ways to substantially multiply the benefits. After all, the goal of NSP is to address vacant homes and to insure that the homes that are rehabbed are sold and put back in use in these difficult economic times.

16. How will the funds flow?

The general flow funds will be as follows:

- At closing, the Leverage Lender will fund some or all of the Leverage Loan into the financing mechanism in return for the pledges of NSP money from the jurisdictions. The NMTC Equity Investor will fund some or all of its investment at that time as well;
- When Jurisdiction A needs funds to pay for an environmental review or property purchase or any other NSP cost, it will take a draw from the Leverage Loan in the NMTC Pool;
- The Pool will then take a draw from the NSP funds allocated to Jurisdiction A and add that cash to the Pool to serve as collateral for the amount of the Loan. This collateral funds will earn interest to offset the cost of the Leverage Loan;
- This will continue until the Loan is fully drawn;
- NMTC equity fund will be used to pay debt service on the Loan, pay administrative costs, and fund second mortgages;
- As home sales proceeds are generated, they will be recycled;
- If the jurisdiction chooses and the Leverage Lender permits, it can invest NSP funds in first mortgages which would be securitized to pay off the Leverage Loan;
- Or, most conservatively, NSP funds would remain escrowed as loan collateral and at the end of the seven year NMTC compliance period: (1) the NSP money remaining is used to pay off the Loan, (2) the second mortgages will be carried on public sector books as assets.

17. Is there any advantage to keeping some of our NSP funds out of the Leveraging structure to make sure we can act quickly on environmental reviews and early property acquisitions?

No. Access to funds under the Leveraging structure should be as fast as or faster than requesting draws through DSHA. Example: if New Castle County is ready to do environmental reviews on a vacant property that it is considering - NCCo would simply request funds from the DIF. The DIF would in turn, request a draw from DSHA against NCCo's NSP allocation and get those funds into the statewide pool.

18. If NSP funds are pledged and invested in the Delaware Investment Fund what events could cause recapture of our NSP funds?

There is no proposal at this time that NSP funds be used to guarantee the NMTC investor's return in the event of a recapture of the credits, although it is possible that an investor could ask for this. This consideration will be a factor in the investor bidding process.

If such a guarantee is required, the risk of recapture is extremely low. NMTCs are only recaptured if the QALICB, the DSCLT- NCP-jurisdiction entity that will administer the funds, fails to be a QALICB by engaging in activities not permitted under the NMTC regulations or if the CDE whose allocation of credits is used ceases to be a CDE. The risk of the latter is virtually nil as these entities are highly regulated and serviced annually by America's best NTMC lawyers and accountants, none of whom can afford such a failure.

The prohibited QALICB activities include (a) operating "sin" businesses (liquor stores, massage parlors, etc.) and (b) generating too much income from or owning too many properties in non-qualified census tracts. Again, the activities of the QALICBs will be monitored monthly and be completely transparent. The reporting mechanisms will be designed to "red flag" any potential problems and cause corrective action before a recapture can occur.

19. What are the costs associated with setting up a NMTC financing mechanism?

Typically, CDEs are paid a percentage of their allocations as a placement fee. Nationally these are averaging around 5% of the allocation used. These fees are paid at closing.

CDEs also usually require payment of an annual asset management fee calculated at between 25 and 50 basis points of the allocation amount. These costs, as well as any auditing or legal costs not covered by these fees, can be capitalized, escrowed and paid from NMTC equity.

The cost of building a financing model can run between $25,000 and $150,000 depending on the complexity and number of iterations required by the participants. Discover Bank has offered to fund this cost.

As NMTC funds are tax-driven investment vehicles which are the focus of a relatively small group of highly specialized lawyers around the country, the legal costs tend to be high. These costs could run to $500,000, but will be paid from the NMTC equity, not NSP funds.

DSCLT and NCP will be paid fees at closing for their services organizing and closing the NMTC financing mechanism. These fees would typically run between 1% and 2% of the NMTC allocation. These entities will also be paid for their on-going administrative services for coordinating the information required to be reported up to the leverage lender, the NMTC equity investor, and the CDE. These fees are estimated at 50 basis points calculated on the allocation amount. NCP will also be paid for any program delivery services requested by the local jurisdictions, such as contracting for appraisal, environmental, engineering, architectural, and marketing or other services.

20. What will happen to any NSP-related mortgage funds that are still being paid back or other financing mechanisms still active after the 4-year NSP program period is over?

Any on-going NSP financing that extends beyond the 4-year time frame will become an on-going resource for affordable housing for each jurisdiction in direct proportion to the NSP funds invested in the combined Delaware Pool. These funds will be administered by the QALICBs during the 7-year NMTC compliance period and can be administered by the local jurisdiction, DSCLT, or a local non-profit after the NMTC compliance period.

21. What happens at the end of the 7-year NMTC period?

At the end of 7 years the NMTC equity investor will have received all of its tax credits, at which point it will exit the NMTC leverage structure and it will be dissolved. Any outstanding Leveraged Loan will be paid off as discussed above with existing NSP or sales proceeds or mortgage securitization proceeds - whatever serves the best purposes of the Delaware Pool for affordable housing.

22. What work will New Communities and DSCLT do for the jurisdictions?

New Community Partners (NCP) and DSCLT need more individual discussions with each jurisdiction to understand what NSP activities the jurisdiction would like assistance with. At a minimum NCP will handle all NMTC-related accounting and reporting to insure full and timely compliance with NMTC regulations. Possibilities for additional assistance include: coordinating NSP/CDBG accounting and reporting, property research and acquisitions, overseeing rehab of homes, marketing assistance, and such other functions as are needed from time to time. NCP's interests are in seeing the NSP implemented successful and being fairly compensated for its work.

23. Are there any "Program Income" elements included in the Leveraging Plan?

In preliminary discussions there are no Program Income issues with the Leverage Plan. Once the full program pro-forma is developed, we will identify any issues and discuss solutions with HUD. If any program income occurs, it will simply be reinvested in additional NSP activity.

24. What will the Joint Venture Company cost the jurisdictions? Do these costs come out of our NSP allocation?

The Joint Venture Company (the third party service provider) is paid for entirely from the NMTC equity funds, the additional private investment into the DIF. More detail in the Answer to Question 19 above.

KEY TERMS:

NMTC - New Markets Tax Credits. Federal program begun in 2000 that encourages up-front private investment in community development projects in return for credits against future Federal tax liabilities.

DIF - Delaware Investment Fund. A new fund that would be created by combining NSP funds, Leveraged loan funds borrowed against those NSP funds and NMTC funds - to fund foreclosure recovery and other affordable housing activities in our state.

Joint Venture - a third party company created solely to establish, oversee and manage the Delaware Investment Fund.

Leveraging - ways of taking existing or pledged funds and combining them with other sources of funds to create a larger pool to achieve more and better community development results.

NSP - Neighborhood Stabilization Program. A $3.92 billion dollar program (a small part of the Housing & Economic Recovery Act of 2008) to help address vacant, foreclosed homes. Delaware's share is $19.6 million.

Jurisdictions - the five jurisdictions in Delaware that are to receive an allocation of NSP funds through DSHA

NSP Partners - each NSP-jurisdiction has a set of implementation partners to help get the work done (example: Interfaith Community Housing of Delaware, NCALL...)

CDE - Community Development Entity. An entity approved by the Federal government to bid on and receive NMTC allocations. Morgan Stanley New Markets Inc. is our CDE for this initiative.

DSCLT - Diamond State Community Land Trust. Our statewide CLT to create, hold and manage a statewide inventory of permanently affordable owner-occupied homes.

DSHA - Delaware State Housing Authority. The HUD grantee for all of Delaware's NSP funds.

QCT - Qualified Census Tracts. The areas designated by the Federal government where NMTC funds are directed.

CDBG - Community Development Block Grant. Federal program begun under the Nixon administration that grants funds to states and cities to fund various community development projects.

Leveraged Loan - a loan made by an investor to the Delaware Investment Fund to help expand its work.

Equity Investor - the investor that buys the New Markets Tax Credits (puts private funds into Delaware's Investment Fund up-front) in return for credits against future Federal tax liabilities.

EXAMPLE LETTER DRAFT 012209

January ___, 2009

Van Temple
Executive Director
Diamond State CLT, Inc.
P.O. Box 1326
Dover, DE 19903

Re. LETTER OF INTENT: NEW MARKET TAX CREDITS LEVERAGING INITIATIVE

The [name of jurisdiction] pledges $_______ of its Neighborhood Stabilization Program ("NSP") allocation to be a part of the Delaware Investment Fund for purposes of leveraging additional loan funds and attracting New Markets Tax Credits ('NMTC') investment. The purpose of this initiative is to expand the pool of dollars available for acquiring vacant, foreclosed properties and all other NSP activities as outlined in [jurisdiction's] current NSP budget and plan.

We understand that Diamond State CLT ("DSCLT") and its NMTC partners, Morgan Stanley and New Community Partners, are seeking participation from each of Delaware's five NSP-funded jurisdictions and that the Delaware State Housing Authority ("DSHA"), as the HUD grantee for all of Delaware's NSP funding, supports this initiative.

We also understand that if a pool of $7 million or more of NSP funds is pledged through these non-binding letters of intent, DSCLT and its NMTC partners will be empowered to obtain commitments for the leveraged loan and NMTC allocation during over the next 60 days. If DSCLT and its partners are able to obtain the necessary commitments, the Investment Fund, organizational structure, contractual relationships with each jurisdiction, including scopes of work and budgets, and all necessary policies and procedures required by DSHA and HUD will be put in place. This work will all be coordinated with DSHA under its contractual obligations to HUD.

In submitting this Letter of Intent we understand that our current NSP program planning efforts should be continued without interruption. If DSCLT and its NMTC partners are unable to obtain the credits, investor or leverage loan there is no obligation required of [name of jurisdiction].

Sincerely,

____
Jurisdiction

cc. Andy Lorenz