



Delaware Governor Jack A. Markell
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Downtown Development Districts

Frequently Asked Questions

What are Downtown Development Districts (DDD)s?

Healthy and vibrant downtowns are critical components of Delaware's economic well-being and quality of life. To help our downtowns and neighborhoods become the vibrant and healthy places we know they can be, Gov. Markell has proposed creating a small number of districts in our cities and towns that would qualify for significant development incentives and other state benefits. These areas would be called "Downtown Development Districts."

How would DDDs be created?

Under legislation proposed by Gov. Markell and sponsored by Sens. Henry, Bushweller, and Marshall, Reps. Keeley, Bolden, and Scott, and other members of the General Assembly:

- Municipalities would apply for District designation. Applications would be evaluated by the Cabinet Committee on State Planning Issues, which would make recommendations to the Governor.
- After the initial round of applications, the Governor will designate **at least 1 but no more than 3 Districts**. Designation of the first 3 Districts must include one District in each county.
- No more than 15 Districts may be designated at any one time.

What information must be included in an application for District designation?

Among other things, each municipality would be required as part of its application:

- To demonstrate the need for District designation;
- To provide a strategic plan or a detailed description of the municipality's overall development strategy for the proposed District; and
- To provide local incentives that would apply to the District, including proposals for regulatory flexibility (such as expedited permitting).

What factors will be considered in evaluating applications for District designation?

The main criteria in the evaluation of applications include:

1. **Need and Impact** – Among other things, this factor will include consideration of the unemployment rate, median income, rate of homeownership, and prevalence of vacant and abandoned houses in the municipality.

2. **Quality of District Plan** – The municipality’s overall development plan is crucial to ensure orderly growth. For that reason, the quality of the municipality’s District Plan will be an important factor in evaluating its DDD application.
3. **Quality of Local Incentives** – The effective operation and management of Districts will require partnerships between state and local governments. High-quality local incentives are an important indicator of a municipality’s commitment to that partnership, and are a critical part of helping Districts reach their full potential.

What development incentives will be available for builders in DDDs?

Investors who make qualified real estate improvements in a District would be entitled to receive **Downtown Development District (DDD) Grants** of up to 20% of their “hard costs” (such as exterior, interior, and structural improvements). This incentive is modeled after a Virginia program that has been very successful in leveraging significant amounts of private investment in under-served areas. Here’s how it works:

- Investors would need to invest at least \$25,000 in a project before the incentive kicks in.¹ So if an investor makes \$45,000 worth of qualified investments in a District, that investor would be entitled to a DDD Grant of up to \$4,000, which is 20% of \$20,000 (*i.e.*, the \$45,000 total investment minus the \$25,000 minimum investment). Minimum investment levels would be subject to change annually by the Delaware State Housing Authority (DSHA).
- DDD Grants would be available to for-profit builders and investors, nonprofit organizations, businesses, and homeowners. The incentive would apply to residential, mixed-use, commercial, and industrial projects in DDDs.²
- DDD Grants would be capped at a level to be determined by DSHA. In addition, the legislation also gives DSHA the authority to set additional eligibility requirements and conditions on receipt of DDD Grants. These cap levels, conditions, and eligibility requirements would be subject to adjustment by DSHA in future years.

In addition to DDD Grants, we know that the state’s Historic Preservation Tax Credit Program has been a powerful tool in preserving historic structures and revitalizing communities. Thus, under the proposed legislation, **a percentage of the state’s existing Historic Preservation Tax Credits will be dedicated to projects in DDDs** that otherwise qualify for SHPTCs. If those credits aren’t used in DDDs, they will be returned to the regular “pool” of applications so others can use them.

What other incentives would be available?

Although development incentives are an important component of the DDD program, it isn’t just about real estate. Several state agencies will offer incentives in DDDs, which distinguishes this program from those in other states. For example, **DeIDOT** will prioritize certain transportation projects in DDDs. In addition, **DSHA** will offer additional incentives to acquire and rehabilitate abandoned houses.

Additional state incentives will be announced in the coming months. But the important point is that this is a multi-faceted effort that will involve several state agencies.

¹ This applies to residential or mixed-use projects only. For other projects, the minimum investment level may be higher.

² Depending on the nature of the project (new construction vs. redevelopment, residential vs. commercial, etc.), eligibility levels and Grant caps may differ.