

Rhode Island Neighborhood Stabilization Program



Administered by:
R.I. Office of Housing and Community Development
-and-
Rhode Island Housing

THE NSP SUBSTANTIAL AMENDMENT - FINAL

Jurisdiction(s): <u>State of Rhode Island</u> (<i>identify lead entity in case of joint agreements</i>) <i>Joint application submitted by the Office of Housing and Community Development (OHCD) and Rhode Island Housing, with OHCD serving as lead applicant.</i> Jurisdiction Web Address: http://www.hrc.ri.gov/NSP.php (<i>URL where NSP Substantial Amendment materials are posted</i>)	NSP Contact Person: <u>Michael Tondra*</u> Address: <u>One Capitol Hill, 3rd Fl, Prov, RI</u> Telephone: <u>(401) 222-2079</u> Fax: <u>(401) 222-2083</u> Email: <u>mtondra@doa.ri.gov</u> <i>*See Attachment A</i>
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A. AREAS OF GREATEST NEED

Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.

Note: An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; states must include the needs of communities receiving their own NSP allocation. To include the needs of an entitlement community, the State may either incorporate an entitlement jurisdiction's consolidated plan and NSP needs by reference and hyperlink on the Internet, or state the needs for that jurisdiction in the State's own plan. The lead entity for a joint program may likewise incorporate the consolidated plan and needs of other participating entitlement jurisdictions' consolidated plans by reference and hyperlink or state the needs for each jurisdiction in the lead entity's own plan.

HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult this data [LINK – to HUD USER data], in developing this section of the Substantial Amendment.

Response:

[See Attachment B](#)

B. DISTRIBUTION AND USES OF FUNDS

Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. **Note:** The grantee's narrative must address these three stipulated

need categories in the NSP statute, but the grantee may also consider other need categories.

Response:

[See Attachment B & C](#)

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of “blighted structure” in context of state or local law.

Response:

"Blighted Structure" - By HUD definition, a structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety and public welfare. For a structure to be considered "blighted" under the RI NSP, it must be determined "substandard and not suitable for rehabilitation".

For the purpose of the RI NSP, "Substandard, Not Suitable for Rehabilitation" is defined as any unoccupied, substandard structure which cannot be reasonably brought up to code standards (see below).

(2) Definition of “affordable rents.” **Note:** Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.

Response:

Applicants shall ensure that the sale, rental, or redevelopment of abandoned and foreclosed-upon homes and residential properties under this section remain affordable to individuals or families whose income do not exceed 120% of area median income, or for units originally assisted with funds under lower-income targeting (D), remain affordable to individuals and families whose income do not exceed 50% of area median income.

In accordance with Attachment D, the State is adopting the HOME program standards at 24 CFR 92.252(a), (c), (e) and (f), and 92.254 as a minimal standard (Affordable Rents and Continued Affordability) for any unit assisted with NSP resources.

For projects targeting a lower income group, such as 50% of AMI, the maximum rent shall not exceed 30% of the target population's income.

With regard to homeownership, sales price of unit will not exceed limits established under the Building Homes Rhode Island program, as affordable to households earning up to 120% of area median income.

(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.

Response:

Applicants shall ensure that the sale, rental, or redevelopment of abandoned and foreclosed-upon homes and residential properties under this section remain affordable to individuals or families whose income do not exceed 120% of area median income, or for units originally assisted with funds under lower-income targeting (D), remain affordable to individuals and families whose income do not exceed 50% of area median income.

The State is adopting the HOME program standards at 24 CFR 92.252(a), (c), (e) and (f), and 92.254 as a minimal standard (Affordable Rents and Continued Affordability) for any unit acquired or rehabilitated with NSP resources.

The State's Comprehensive Housing Production and Rehabilitation Act of 2004 (R.I.G.L. 45-53) sets a threshold goal of 10% for affordable housing in covered municipalities. Any NSP activity in a community not currently meeting its 10% affordable housing goal must maintain a minimum affordability period of 30 years.

Beginning upon project completion, the following affordability requirement apply without regard to the term of any loan or mortgage or the transfer of ownership. To assure continued affordability, requirements must be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by the State. Projects may utilize the Land Trust model, in which the land ownership is maintained by an approved developer, to maintain affordability of units.

NSP Assisted Units:	
Under \$15,000	5 years
\$15,000 - \$40,000	10 years
Over \$40,000	15 years
New construction/acquisition of newly constructed housing	20 years

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

Response:

All units assisted with NSP will be brought into compliance with the following standards:

Housing Maintenance and Occupancy Code (RIGL Chapter 45-24.3) and State Minimum Housing Building Code (45-24.2) - The purpose of this chapter is to protect the public health, safety and welfare by establishing minimum standards governing the condition and maintenance of all dwelling and dwelling premises or structures, essential to make the dwelling safe, sanitary and fit for human habitation.

Housing Quality Standards (HQS) - HUD Program Standards set forth basic housing quality standards, which are minimum criteria necessary for the health and safety of occupants, with the objective of assuring the availability of decent, safe, sanitary housing.

Federal (24 CFR Part 35 - Subpart J (Rehabilitation) and Subpart K (Acquisition/Services)) and be in compliance with State (R23-24.6-PB) Regulations regarding Lead Based Paint Hazards. - The purpose of the federal regulations is to establish procedures to eliminate as far as practicable lead-based paint hazards in a residential property that receives Federal rehabilitation assistance under a program administered by HUD. RI Lead regulations enforces rules and regulations relative to Lead Based Paint Hazard Elimination. It is important to note that Lead Hazard Control funding may be combined with NSP resources to meet this requirement.

The State Rehabilitation and Building Fire Code standards for existing buildings and structures will be complied with in rehabilitation work assisted with NSP. Compliance with local code and zoning ordinances is also required.

Eligible rehabilitation costs may include improvements to increase energy efficiency or conservation or to provide a renewable energy sources/sources for such homes. Applicants are encouraged to incorporate modern green building and energy efficiency improvement in all NSP activities, where feasible.

D. LOW INCOME TARGETING

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income: \$4,900,000.

Note: At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.

Response:

Current Income Limits: (Updated Annually)

Providence-Fall River, RI-MA HMFA

(FAMILY SIZE)	1	2	3	4	5	6	7	8
50% Limit	25600	29250	32900	36600	39500	42450	45350	48300
LMMI Limit	61440	70200	78960	87840	94800	101880	108840	115920

The State has established a requirement that \$4,900,000 of its funding allocation under the NSP, to be distributed in accordance with Attachments B& C, for activities/projects which are designed to house individuals/families at or below the 50% limits identified above. It is anticipated these projects will be generally rental in nature.

Any of the following activity categories may be used to create the permanent housing opportunities for this low-income population. However it is most likely that units will be produced through activities identified as Development Financing, Acquisition/Rehabilitation and, to some extent, Land Bank. The expenditure goal is based upon the State aggregate.

The State does wish to encourage targeting these amounts to lower-income populations, such as the homeless. Other resources, including Continuum of Care funds, do focus or include priorities for the homeless and could be used to effectively leverage the NSP.

E. ACQUISITIONS & RELOCATION

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., $\leq 80\%$ of area median income).

If so, include:

- The number of low- and moderate-income dwelling units—i.e., $\leq 80\%$ of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., $\leq 120\%$ of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

Response:

A maximum of 10% of project funding (\$1,764,000) will be used to support demolition and related redevelopment (infrastructure) activities. Only demolition on units meeting

the "blighted structures" definition will be eligible. All demolition activities will be accompanied by a plan which details the proposed reuse and which demonstrates the need for the clearance activities.

In accordance with alternative One-for-One replacement requirements, the following targets are hereby identified relative to demolition:

LMI Units to be Demolished/Converted: 58 units
 Number of LMMI Units Made Available: 255 units (Estimate)
 Number of <50% Units Made Available: 75 units (Estimate)

The timeline for demolition is presumed to be equally distributed over the life the program. Though rehabilitation/development activities may take longer to complete, is presumed to be equally distributed over the life of the program.

Timeline:	Demo Units	120% Created	50% Created
1/09 - 6/09	20	0	0
7/09 - 12/09	19	127	37
1/10 - End	19	128	38

Relocation assistance required under URA may be supported with Neighborhood Stabilization Program (NSP) resources as an eligible development cost.

F. PUBLIC COMMENT

Provide a summary of public comments received to the proposed NSP Substantial Amendment.

Response:

The State's Substantial Amendment/Action Plan was posted on the web at: <http://www.hrc.ri.gov/NSP.php> on November 12, 2008. The plan was also posted in Spanish. Comments were accepted through November 28, 2008.

A summary of comments received and associated responses have been provided at Attachment E. The noted website will continue to be maintained, keeping the public informed of the program and its accomplishments.

On November 2, 2008, the Providence Journal published notification that the State's plan would be available on the website (<http://www.hrc.ri.gov/NSP.php>) for public comment prior to submittal to HUD.

In designing the draft program, the State held numerous meetings with stakeholders and the public, including:

- A series of meetings, attended by various stakeholders including the Providence HUD office, were conducted by the Local Initiative Support Corporation (LISC).
- October 7th - the State took part in a NSP Webinar, followed by a brief discussion of the program organized by the Rhode Island Foundation, a philanthropic organization.
- October 21st - the State participated in a meeting of the Housing Network, a State association of non-profit development organizations. Community Development Corporations throughout the State were briefed on program requirements and provided input on how the program can best be used to meet local need.
- October 23rd - the State convened a meeting of the Housing Resources Commission, Homeownership Committee to specifically discuss the NSP. Various stakeholders, including staff from CDBG entitlement municipalities, participated in this event.
- October 28th - The State held a Neighborhood Stabilization Program sessions as part of its Community Development Management Workshop. Nearly every community in the State was represented at this event. A specific session of the highest-impacted non-entitlement CDBG communities, including Central Falls, Johnston, North Providence and West Warwick, was convened following this workshop.
- October 30th - Though not officially required, the State did conduct one general public information session/meeting to obtain the views of those not reached through previous outreach efforts. It should be noted that approximately 40-50 people attended this meeting.
- Once Target Areas were preliminarily identified, the State scheduled meetings with affected communities. Individual meetings were held with the cities of Central Falls, Cranston, Pawtucket, Providence, Warwick. (Various Dates)

The State additionally solicited public comment by posting availability of the plan at key locations and email/mailed interested parties.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: **Homebuyer Assistance**

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

Sec.2301 (c)(3)(A): Establish financing mechanism for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared equity loans for low and moderate income home buyers.

24 CFR 570.202 (b) CDBG funds may be used to finance the following types of rehabilitation activities, and related costs, either singly, or in combination, through the use of grants, loans, loan guarantees, interest supplements, or other means for buildings and improvements described in paragraph (a) of this section, except that rehabilitation of commercial and industrial buildings is limited as described in paragraph (a)(3).

(1) Assistance to private individuals and entities, including profit making and nonprofit organizations, to acquire for the purposes of rehabilitation, and to rehabilitate properties, for use or resale for residential purposes;

(2) Labor, materials, and other costs of rehabilitation of properties, including repair directed toward an accumulation of deferred maintenance, replacement of principal fixtures and components of existing structures, installation of security devices, including smoke detectors and dead bolt locks, and renovation through alterations, additions to, or enhancement of existing structures and improvements, abatement of asbestos hazards (and other contaminants) in buildings and improvements that may be undertaken singly, or in combination;

Sec. 2301(c)(3)(B): Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.

24 CFR 570.202: Eligible rehabilitation and preservation activities for homes and other residential properties.

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

Provide financing to homebuyers with incomes at or below 120% of median income. The property must be the principal residence of the homebuyer.

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

Rhode Island Housing will process applications for homebuyer downpayment assistance of up to 20% of the purchase price of a foreclosed property in target areas. Homebuyers must take a homebuyer education course (minimum of 8 hours). The Housing Network of Rhode Island will offer homebuyer education courses. The Rhode Island Housing HelpCenter will provide counseling for homebuyers to assure that they are getting a safe mortgage that they can afford. Homebuyers may either purchase a foreclosed property that has already been rehabilitated through the NSP or they may purchase and rehabilitate a foreclosed property. Rehabilitation financing will be made available through the 203(K) loan program to purchase and improve properties. Additional rehabilitation assistance may be made available through NSP if needed for feasibility.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

All properties must be within designated NSP target areas.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

Approximately 80 mortgages; 60 at 51-80% of area median income and 20 at 81-120 of median income. Qualified buyers with incomes of 50% to 120% of median income will be encouraged to purchase foreclosed properties in target neighborhoods.

(7) Total Budget: (Include public and private components)

Downpayment/rehab - \$2,298,000 (NSP)

1st mortgage - \$14,000,000

Note that \$300,000 initially allocated to Providence has this same general purpose.

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

**Rhode Island Housing
44 Washington Street
Providence RI 02903**

Susan Bodington

Deputy Director for Programs

(9) Projected Start Date:

January 1, 2009

(10) Projected End Date:

December 31, 2012

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

Interest rates are set weekly based on local market rates.

Approximately 6% to 7%

Deferred loans to be forgiven after 5 years of occupancy.

Principal residence of the homebuyer.

For housing related activities, include:

- duration or term of assistance;
- tenure of beneficiaries--rental or homeownership;
- a description of how the design of the activity will ensure continued affordability
 - **HOME affordability requirements will apply.**

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: **Housing Development Assistance**

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

Sec 2301 (A): Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties,

Sec. 2301 (B): Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties.

24 CFR 570.201 (a) Acquisition, (b) Disposition

24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

All housing units will be occupied by households with incomes at or below 120% of area median income.

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

Rhode Island Housing will accept applications from eligible entities for the acquisition and/or rehabilitation of foreclosed or abandoned properties in designated target areas. In order to maximize production, NSP will be used as gap financing to allow developers to take properties out of the land bank and to renovate them for rent or for sale and to acquire and renovate properties to the rehabilitation standard. Developers must identify the target area(s) in which they plan to invest and a strategy to stabilize the neighborhood. Eligible entities must submit a proforma and identify funding sources, a reuse plan, and a schedule to renovate properties in the Land Bank or properties to be acquired and rehabilitated. Proposals will be evaluated for feasibility by Rhode Island Housing staff. The Office of Housing and Community Development and Rhode Island Housing will review proposals against threshold criteria, determine financing necessary, and approve NSP funding as soft subordinate financing. A property management plan will be required for rental properties and for the holding period while marketing for-sale homes. Funding for the holding period will be included in the financing. Loans and grants may not exceed an amount reasonably necessary to assure financial feasibility. NSP may also be used for construction financing and/or bridge financing to expedite construction.

This activity will address the primary cause of deterioration in target neighborhoods. Multiple vacant, boarded homes are available for sale, but are in deteriorated condition and need major rehabilitation prior to occupancy. This activity will be the primary program to address the needs of households with incomes at or below 50% of median. By leveraging the NSP funds with other existing programs such as HOME, Housing Tax Credits, and State funding programs the needs of lower income households will be met. This program will put rental and for-sale homes back into the market and attract additional investment into the neighborhood.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Properties will be located within designated target areas.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

A minimum of 60% of this activity will provide rental units for households with incomes at or below 50% of area median income. The balance of funds will primarily produce units to be occupied by households with incomes between 50 and 80% of median. Approximately 75 to 100 units of housing will be acquired and rehabilitated for rental or homeownership opportunities. It is a goal of the program to create mixed income neighborhoods, attracting a range of households to the target areas.

(7) Total Budget: (Include public and private components)

Primary financing sources: \$10,000,000	
NSP -	\$7,338,000
Total	\$17,338,000

Leveraged primary financing sources, \$10,000,000, are likely to include HOME, Housing Tax credits, mortgage financing, Building Homes Rhode Island, Neighborhood Opportunities Program (operating support for supportive housing)

Note that \$1,800,000 allocated to Providence is for these same general purposes.

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

**Rhode Island Housing
44 Washington Street
Providence, RI 02903**

**Susan Bodington
Deputy Director for Programs**

(9) Projected Start Date: **January 1, 2009**

(10) Projected End Date: **December 31, 2012**

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate
 - **All properties will be discounted a minimum of 5%**
 - **Through an analysis of carrying costs combined with negotiations, discounts averaging 15% are projected.**

For financing activities, include:

- range of interest rates
 - **Rates will range from 0% for subordinate permanent financing to 6 to 7% for construction financing or bridge financing.**

For housing related activities, include:

- duration or term of assistance;
 - **Secondary financing will be repayable upon transfer of title or refinancing of the property.**
- tenure of beneficiaries--rental or homeownership;
 - **Gap financing will be available for rental and homeownership properties**
- a description of how the design of the activity will ensure continued affordability

All properties must maintain affordability for a minimum of the HOME standards. Properties in communities that are subject to the Low and Moderate Income Housing Act must maintain affordability for a minimum of 30 years.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: **Neighborhood Stabilization Land Bank**

(2) Activity Type:

Sec.2301(c)(3)(C): Established land banks for homes that have been foreclosed upon.

24 CFR 570.201 (a) Acquisition, (b) Disposition

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., \leq 120% of area median income).

Benefiting the residents of a primarily residential area in which at least 51% of the residents have incomes at or below 120% of the area median income (LMMA)

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

Rhode Island Housing will land bank abandoned and foreclosed upon properties located in targeted areas. Properties may be submitted to the Land Bank for acquisition by any eligible entity. Properties will be temporarily held in the land bank until the eligible entity is prepared to acquire and rehabilitate/redevelop, as appropriate. The Neighborhood Stabilization Land Bank reserves the right to rehabilitate and sell the property if it is not acquired by the eligible entity within the agreed upon time frame. The eligible entity must submit a plan or strategy to stabilize the target neighborhood, identify available foreclosed properties critical to the stability of the neighborhood, and submit single or multiple properties to Rhode Island Housing for due diligence, feasibility analysis, and streamlined land bank processing. Bulk sales are encouraged. The Neighborhood Stabilization Land Bank will provide property management services and may contract for appraisals, legal, title, and inspection services.

This activity will allow for rapid site control of abandoned and foreclosed upon properties that are critical to the stabilization of the neighborhood. All properties will be within targeted neighborhoods that benefit households with incomes at or below 120% of median. Following disposition, some units may be designated for rent by households below 50% of area median.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Properties will be located in targeted neighborhoods as identified in this plan.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

Acquisition of approximately 80 to 100 units

100% area benefit below 120% of median

25% to be rehabilitated for occupancy by households with incomes at or less than 50% of area median income.

(7) Total Budget: (Include public and private components)

Land Bank - NSP

Acquisition:	\$3,600,000
Property Management:	\$ 100,000
Feasibility (appraisal/legal/inspections)	\$ 400,000

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

**Rhode Island Housing
44 Washington Street
Providence, Rhode Island 02903**

Susan Bodington, Deputy Director for Programs

(9) Projected Start Date:

January 1, 2009

(10) Projected End Date:

December 31, 2012

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate
- **All properties will be acquired at 5% below appraised value at a minimum**
- **Acquisition will be negotiated based on carrying costs and market conditions to attain a 15% average discount.**

For financing activities, include:

- range of interest rates
- **Properties removed from the Land Bank within the first 6 months will not accrue any interest. After 6 months, market rate interest will accrue.**

For housing related activities, include:

- duration or term of assistance;
- tenure of beneficiaries--rental or homeownership;
- a description of how the design of the activity will ensure continued affordability

- **A plan for use of the property will be required prior to acquisition specifying the intended beneficiaries, tenure, and term of affordability. All properties must meet at a minimum the HOME requirements for affordability. Properties located in communities subject to the Low and Moderate Income Housing Act must maintain affordability for 30 years.**

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: **Demolition/Infrastructure (State)**

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

Sec.2301 (c)(3)(D): Demolish blighted structures.

Sec.2301 (c)(3)(E): Redevelop demolished or vacant properties.

24 CFR 570.201 (c-d):

- **(c) Infrastructure - Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements, except as provided in § 570.207(a), carried out by the recipient or other public or private nonprofit entities. (However, activities under this paragraph may be directed to the removal of material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons to public facilities and improvements, including those provided for in § 570.207(a)(1).) In undertaking such activities, design features and improvements which promote energy efficiency may be included. Such activities may also include the execution of architectural design features, and similar treatments intended to enhance the aesthetic quality of facilities and improvements receiving CDBG assistance. Facilities designed for use in providing shelter for persons having special needs are considered public facilities. Such facilities include shelters for the homeless; convalescent homes; hospitals, nursing homes; battered spouse shelters; halfway houses for run-away children, drug offenders or parolees; group homes for mentally retarded persons and temporary housing for disaster victims. In certain cases, nonprofit entities and subrecipients including those specified in § 570.204 may acquire title to public facilities. When such facilities are owned by nonprofit entities or subrecipients, they shall be operated so as to be open for use by the general public during all normal hours of operation. Public facilities and improvements eligible for assistance under this paragraph are subject to the policies in § 570.200(b).**

- **(d) Clearance activities - Clearance, demolition, and removal of buildings and improvements, including movement of structures to other sites. Demolition of HUD-assisted or HUD-owned housing units may be undertaken only with the prior approval of HUD.**

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

All activities funded will:

- **LMMA - Serve areas in which at least 51% of the residents have incomes at or below 120% of Area Median Income (AMI); or**
- **LMMC - Serve a limited clientele whose income are at or below 120% of AMI.**

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

Eligible entities may apply to demolish structures in target areas meeting the blighted definition specified herein. The demolition must be an element of a strategy/plan to stabilize a neighborhood. Funds awarded for demolition may be combined with acquisition and/or construction financing to complete the activity. Redevelopment options may include new housing construction or infrastructure/green space. Municipalities may apply to operate demolition programs but must report sites on an ongoing basis so the State can track targets and verify compliance.

Eligible entities may apply to undertake infrastructure improvements in a target neighborhood which comply with CDBG National Objective requirements. Activities must comply with national objective requirements. Any infrastructure improvements must be completed in accordance with a stabilization plan/strategy for the target area. Infrastructure improvements must be directly related to housing development and stabilization efforts occurring in the same area.

A joint committee of OHCD and RIH will review all proposals for demolition and infrastructure to assure compliance with federal requirement and the State's program design.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

NPS Target Areas

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

- **28 units will be demolished**
 - **Units (State) will be offset against those created**
 - **65-85 units (<50% AMI) will be created***
 - **255 units (>50% AMI - <120% AMI) will be created***
- *Units will be created primarily through the construction financing activity. It is estimated that approximately half of the units created for 50%-120% AMI will be for those earning between 51-80% AMI.**

(7) Total Budget: (Include public and private components)

Budget: \$864,000

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

**Office of Housing and Community Dev't
One Capitol Hill, 3rd Floor
Providence RI 02908-5873
Noreen Shawcross
Chief - OHCD**

**Rhode Island Housing
44 Washington Street
Providence RI 02903
Susan Bodington
Deputy Director for Programs**

A joint committee of the above two organizations will be formed to review requests received for demolition and make award recommendations.

(9) Projected Start Date:

January 1, 2009

(10) Projected End Date:

December 31, 2012

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate
Not applicable

For financing activities, include:

- range of interest rates
1 Not applicable

For housing related activities, include:

- duration or term of assistance;
- tenure of beneficiaries--rental or homeownership;
- a description of how the design of the activity will ensure continued affordability
Not applicable

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: **Providence Subrecipient (Preliminary Description)**

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

Sec.2301 (c)(3)(A): Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate- income homebuyers.

Sec.2301 (c)(3)(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon in order to sell, rental or redevelop such homes and properties.

Sec.2301(c)(3)(D) Demolish blighted structures,

Sec.2301 (c)(3)(E): Redevelop demolished or vacant properties.

24 CFR 570.201(a, b, c, d & n)

(a) Acquisition - Acquisition in whole or in part by the recipient, or other public or private nonprofit entity, by purchase, long-term lease, donation, or otherwise, of real property (including air rights, water rights, rights-of-way, easements, and other interests therein) for any public purpose, subject to the limitations of § 570.207.

(b) Disposition - Disposition, through sale, lease, donation, or otherwise, of any real property acquired with CDBG funds or its retention for public purposes, including reasonable costs of temporarily managing such property or property acquired under urban renewal, provided that the proceeds from any such disposition shall be program income subject to the requirements set forth in § 570.504.

(n) Homeownership assistance - CDBG funds may be used to provide direct homeownership assistance to low- or moderate-income households in accordance with section 105(a) of the Act.

(c) Infrastructure - Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements, except as provided in § 570.207(a), carried out by the recipient or other public or private nonprofit entities. (However, activities under this paragraph may be directed to the removal of material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons to public facilities and improvements, including those provided for in § 570.207(a)(1).) In undertaking such activities, design features and improvements which promote energy efficiency may be included. Such activities may also include the execution of architectural design features, and similar treatments intended to enhance the aesthetic quality of facilities and improvements receiving CDBG assistance. Facilities designed for use in providing shelter for persons having special needs are considered public facilities. Such facilities include shelters for the homeless; convalescent homes; hospitals, nursing homes; battered spouse shelters; halfway houses for run-away children, drug offenders or parolees;

group homes for mentally retarded persons and temporary housing for disaster victims. In certain cases, nonprofit entities and subrecipients including those specified in § 570.204 may acquire title to public facilities. When such facilities are owned by nonprofit entities or subrecipients, they shall be operated so as to be open for use by the general public during all normal hours of operation. Public facilities and improvements eligible for assistance under this paragraph are subject to the policies in § 570.200(b).

(d) Clearance activities - Clearance, demolition, and removal of buildings and improvements, including movement of structures to other sites. Demolition of HUD-assisted or HUD-owned housing units may be undertaken only with the prior approval of HUD.

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

All activities funded will:

Housing:

- **LMMH - provides or improves permanent residential structures that will be occupied by households whose income is at or below 120% of area median income;**

Demolition/Infrastructure:

- **LMMA - Serve areas in which at least 51% of the residents have incomes at or below 120% of Area Median Income (AMI); or**
- **LMMC - Serve a limited clientele whose income are at or below 120% of AMI.**

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

The City will serve as a subrecipient relative to the above noted activities. The City will be responsible for the proper operation and distribution of funds under this activity. The State will provide oversight and monitoring.

The City will work with the State to coordinate the design of the various initiatives.

Once funds are expended, the City may request additional funds in support of the above activities.

All demolition/infrastructure activities must be reported to the State for review prior to obligation of funds.

The City will submit a detailed plan, outlining local need and program policies/goals. The State will draft a contract agreement, stipulating program requirements to be imposed upon it as a subrecipient entity.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

NPS Target Areas in the City of Providence

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

Homebuyers Assistance	10 Units (50%-120%)
Acquisition/Rehabilitation	20 Units (10 <50%; 10 50%-120%)
Demolition/Infrastructure	30 Units

(7) Total Budget: (Include public and private components)

Homebuyers Assistance/Equity Sharing-Downpayment	\$300,000
Acquisition/Rehabilitation	\$1,800,000
Demolition/Infrastructure	\$900,000
Administration	\$300,000
Total	\$3,300,000

The City of Providence may reallocate up to 25% of funds between the Homebuyers Assistance and Acquisition/Rehabilitation categories. Written notification/request of the transfer must be provided to the Office of Housing and Community Development and Rhode Island Housing to assure that program adjustments can be made under the current State program design.

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

**Providence Redevelopment Authority
City of Providence
25 Dorrance Street
Providence, RI 02903
Thomas Deller
Providence and Development Director**

(9) Projected Start Date:
January 1, 2009

(10) Projected End Date:
December 31, 2012

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate
To Be Determined (Plan)

For financing activities, include:

- range of interest rates
1 To Be Determined (Plan)

For housing related activities, include:

- duration or term of assistance;
- tenure of beneficiaries--rental or homeownership;
- a description of how the design of the activity will ensure continued affordability
To Be Determined (Plan)

CERTIFICATIONS

- (1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
- (2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
- (3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
- (4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.
- (5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.
- (6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
- (7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.
- (8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.
- (9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.
- (10) **Use NSP funds \leq 120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.
- (11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by

assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

Signature/Authorized Official 11/28/2008
Date

Noreen Shawcross, Chief - Office of Housing and Community Development
Title

Signature/Authorized Official 11/28/2008
Date

Susan Bodington, Deputy Director for Programs - Rhode Island Housing
Title

ATTACHMENT A

The Rhode Island Office of Housing and Community Development (OHCD) and Rhode Island Housing are hereby submitting a joint application on behalf of the State of Rhode Island. As the agency responsible for administration of the State's Community Development Block Grant (CDBG) program, OHCD will serve as lead applicant.

The Rhode Island Neighborhood Stabilization Program will be administered through a partnership, established through a Memorandum of Agreement, which utilizes the respective capabilities and expertise of the operating agencies as appropriate. This collaboration should allow for the most efficient administration of resources allocated.

ATTACHMENT B
AREAS OF GREATEST NEED

The State of Rhode Island shall distribute funds allocated, giving priority emphasis and consideration to those areas with the greatest need, including those areas with-

- 1) Highest percentage of home foreclosures;
- 2) Highest percentage of homes financed by subprime mortgage loans; and
- 3) Anticipated increases in rate of foreclosure.

The R.I. Office of Housing and Community Development, with the assistance of Rhode Island Housing, utilized the following sources to meet the above requirements.

- 1) HUD developed foreclosure data to assist grantees in identification of Target Areas. The State utilized HUD's predictive foreclosure rate to identify those areas which are likely to face a significant rise in the rate of home foreclosures. HUD's methodology factored in Home Mortgage Disclosure Act, income, unemployment and other information in its calculation. The results were analyzed and revealed a high level of consistency with other needs data available.
- 2) The State has obtained, from the Warren Group, actual local foreclosure transaction records. The Warren Group is a source for real estate and banking news and transaction data throughout New England. This entity has analyzed local deed records in assembling information presented. The data set was normalized due to potential limitations. An analysis revealed a high level of consistency with HUD-predictive foreclosure rates.
- 3) The State obtained subprime mortgage loan information from the Federal Reserve Bank of Boston. The data was mapped as shown in Attachment B. Though the data does not include all mortgages, and was only available at the zip code level rather than Census Tract, findings were generally consistent with other need categories.

Those areas with a HUD-predicted foreclosure rate of at least 6.5% (Census Tract, Block Group) -and- which contained at least 1.4% of the State's subprime mortgage loans (Zip Code) were identified as high need. Ultimately, the following communities were identified as containing such target areas:

Central Falls	Cranston	Cumberland
East Providence	Johnston	North Providence
Pawtucket	Providence	Warwick
West Warwick	Woonsocket	

R.I. funds have been additionally targeted using the actual foreclosure records (Warren Group) noted above, as describe in the distribution section of this plan. Be advised local foreclosure information was evaluated when available to substantiate these findings.

Based on our analysis, almost 90% of the foreclosures in Rhode Island from January-September 2008 took place in the 11 targeted communities.

It is acknowledged that the foreclosure crisis has impacted nearly every community in our State. Information readily available lacks the detail to identify every street or area that has been impacted by foreclosures. As part of this program, the State hopes to use a portion of its administrative funds to improve the tracking of foreclosures throughout the State, allowing more effective outcomes measurement achieved through program implementation.

The State is encouraging collaboration in those neighborhoods in which there is existing leverage of other efforts to assist in completing the intended objective. Planning and/or targeted investment has occurred through the following initiatives, in NSP target areas. The State will attempt to maximize the impact of this program by collaborating whenever feasible to do so.

- Rhode Island Housing's Keepspace Initiative
- Land Use 2025 (Urban Service Boundaries/Growth Centers)
- CDBG Revitalization
- Health Kids Collaborative, Lead Based Paint Hazard Elimination Target Neighborhoods.

ATTACHMENT C
DISTRIBUTION AND USE OF FUNDS

The following details the State's process for the distribution of funds allocated under the Neighborhood Stabilization Program. The program attempts to comprehensively meet the needs of areas most impacted by foreclosures while maximizing leverage and collaboration with other initiatives. The State will make NSP funds available through several simultaneous mechanisms described below.

The R.I. NSP is a place-based program. Individual, scattered-site properties which do not relate to a stabilization/revitalization effort of a neighborhood highly impacted by foreclosures will not be funded under the NSP.

An analysis of Target Areas (See Attachment B) has identified those communities, and within those communities those census tracts, with the highest level of need. Consistent with this analysis, the State is adopted the following funding expenditure goals in the target communities.

Central Falls (5%)	\$907,684
Cranston (7%)	\$1,316,142
Cumberland (1%)	\$127,076
East Providence (1%)	\$263,229
Johnston (3%)	\$544,611
North Providence (2%)	\$363,074
Pawtucket (14%)	\$2,541,516
Providence (55%)	\$9,594,224
Warwick (3%)	\$453,842
West Warwick (2%)	\$399,381
Woonsocket (6%)	\$1,089,221
NSP Homebuyer Counseling <1%	<u>\$40,000</u>
Total	\$17,640,000
Administration, State and Local (10%)	<u>\$1,960,000</u>
Total	\$19,600,000

Funding levels were determined based upon each community's relative percentage of the State's total foreclosures (Warren Group) Generally, all funds must be disbursed within the Target Area Census Tracts identified. As previously indicated, data limitations prevent the State from clearly identifying all specific areas impacted by foreclosures. Therefore, the State will continue to monitor foreclosure statistics and may modify the list of eligible communities and/or expenditure goals based upon updated figures, if timing permits. Additionally, the State will evaluate the progress toward the expenditure goal in each of the identified communities in four (4) month intervals. NSP goals may be revised by the State among the Target Areas in response to unacceptable progress in accomplishing the stated goals and commitment of funds in compliance with NSP requirements. The State may identify additional activities, consistent with the needs

analysis and eligible uses, and may amend the Program to incorporate such activities if funds can be obligated with the time required.

It is essential that homebuyers of foreclosed properties and those properties assisted with NSP-resources are not placed in a position that they are unable to sustain. For this reason, in accordance with program regulations, the State is mandating every homebuyer complete a minimum of 8-hours of homebuyers counseling conducted by HUD-approved counseling agency. The current Housing Network's 6-week, 12-hour course and/or any variation, such as inclusion of landlord education in multi-family acquisition, of this training which meets minimum requirements specified, could be utilized and its use encouraged. Participants must additionally obtain their mortgage product through a traditional lender or non-traditional lender who agrees to comply with the bank regulator's guidance for non-traditional mortgages. Rhode Island Housing will review all mortgage products of program participants to ensure appropriate terms.

Distribution Plan

The State has developed the following programs to assist stabilize neighborhoods impacted by foreclosures. The following mechanisms are in place and can be readily implemented, focusing on target areas.

State Program Budget			
<i>Activity</i>	<i>Regulation</i>	<i>Expenditure Goal</i>	<i>Performance Outcome</i>
Land Bank	24 CFR 570.201(a) Acquisition	\$4,100,000	80-100 Units
Development Financing: Acquisition Rehabilitation/Redevelopment Construction/Bridge Financing	24 CFR 570.201(a) Acquisition 570.202 Rehabilitation	\$7,338,000	75-100 Units
Homebuyer Assistance	24 CFR 570.201(a) Direct Homeownership	\$2,298,000	80 Homebuyers/Units
Demolition/Infrastructure <i>(Expenditure Goal - Not State Program)</i>	24 CFR 570.201(d) Clearance	\$864,000	28 Units and Infrastructure
Homebuyers Counseling	24 CFR 201(e) Counseling	\$40,000	90 Households
State Administration		\$1,660,000	
Total		\$16,300,000	

Providence Subrecipient - Providence Redevelopment Authority Budget

<i>Activity</i>	<i>Regulation</i>	<i>Expenditure Goal</i>	<i>Performance Outcome</i>
Demolition/Infrastructure	24 CFR 570.201(d) Clearance 24 CFR 570.201(c) Infrastructure	\$900,000	30 Units and Infrastructure
Homebuyers Assistance	24 CFR 570.201(a)	\$300,000	10 Homebuyers/Units
Acquisition/Rehabilitation	24 CFR 570.201(a) Acquisition 24 CFR 570.202 Rehabilitation	\$1,800,000	20 Units
Providence Administration		\$300,000	Incl. Homeowner Marketing
Total		\$3,300,000	

The State, through Rhode Island Housing, will directly implement certain activities, such as the Land Bank and Downpayment Assistance program. To expedite program delivery, other NSP funds will be distributed utilizing an open cycle application process. Applications meeting minimum Threshold Criteria detailed below will be funded on a first-come, first-served basis.

Eligible applicants include:

Programs	Municipalities Only
Activities/Projects	Municipalities, Non-Profit Organizations/ Developers, Community Development Corporations (CDCs), Housing Authorities, and For-Profit Developers.
Direct Assistance Programs	Homebuyers

Each Activity/Project application submitted must meet all Threshold Criteria identified below to be determined fundable.

- Developer Capacity - The developer must have the demonstrated capacity to implement the project as proposed.
- Financial Feasibility - A financial analysis of the project must reveal it is financially feasible and all other funding resources have been secured or are imminent.
- CDBG (and related) Regulatory Compliance - The proposed project must comply with all applicable rules and regulations related to the CDBG and NSP programs.
- Program Design/Objective Compliance - The proposed project must comply with all components of the State NSP Program Design and its stated objectives.

- Timeliness - It must be likely the project will be completed within one year of funding commitment.
- Target Area - The project must generally fall within the boundaries of an identified Target Area and funds are available in the subject jurisdiction/category. Applications outside the target areas will be considered on a case by case basis in accordance with the program design.
- LMMI- The project must benefit households earning less than 120% AMI.
- Neighborhood Impact - The project must be in support of a plan of sufficient size and scope to impacted the neighborhood. The Plan must adequate document impact.
- The project must demonstrate how it will meet Continued Affordability (including Enforcement) requirements and ability to implement funding immediately.
- The State intends to consult with affected communities, including Providence, in reviewing projects.

In addition to the above requirements related to specific activities/projects, the State may fund programs operated by municipalities. Programs must be existing, in place, and resources awarded must target the neighborhoods identified in accordance with a application/plan provided by the municipality. OHCD and Rhode Island Housing will review the programs for compliance with threshold criteria, design consistency and program requirements. The State may allocate funds to the municipality in an amount reasonably anticipated to be expended in accordance with the program design.

- Due to its relative need it is explicitly understood that the City of Providence will serve as a subrecipient for a portion of the funding targeted to that community. The City will initially receive one-third (1/3) of its approximate expenditure goal (or \$3,000,000) plus 10% administration (\$300,000) to expend on specific programs/activities consistent with a plan submitted by the City and approved by the State. Programs funded must meet the threshold requirements imposed on individual activities. If the community expends all funds allocated, it may reapply for a portion of the remaining City's current expenditure goal, consistent with the same requirements.

Activity Descriptions:

Land Bank

The State plans to utilize an existing Land Bank operated by Rhode Island Housing. Eligible applicants may submit a property to the expedited land bank for subsequent rehabilitation/development. Applications must include a plan/strategy for stabilizing the

target neighborhood. This plan must identify available foreclosed properties critical to the revitalization of the area. Bulk sale acquisition will be encouraged whenever possible. Utilization of this existing Land Bank will help to realize operating efficiencies realized through economies of scale. Rhode Island Housing will assure that proper purchase procedures (including inspection, appraisals, Legal and Title Search) and inspections (including work write-ups) are conducted. . Rhode Island Housing may limit the number of properties a developer may hold in the Land Bank to assure rapid return to productive use.

Any property placed in the Land Bank must have a plan for development, by the developer-applicant. If a final plan and financing is not available within an agreed upon time frame, the Land Bank may sell the property or develop it for subsequent sale in accordance with program requirements. All proceeds from sales will constitute revenue/program income and be distributed in accordance with program regulations

Developer Financing

Acquisition:

Eligible applicants may apply to the NSP through Rhode Island Housing to directly acquire specific single or multiple properties meeting the goals and threshold requirements established for the State NSP. Applicants requesting funding for the acquisition of a foreclosed property must provide a plan or strategy for selecting eligible properties, a proposal to finance the acquisition and rehabilitation/ redevelopment of the property, the proposed use of the property and evidence of compliance with NSP requirements, a time frame for project completion and evidence of eligibility (foreclosure status/price etc.).

Rehabilitation Financing

To be eligible for gap financing, eligible entities must submit a proforma and identify funding sources, reuse plan and a schedule to renovate from land bank or to acquire and develop directly. Proposals will be evaluated for feasibility by Rhode Island Housing staff. OHCD and Rhode Island Housing will review projects against threshold criteria and determine financing necessary and approve funding as secondary financing. Loans and grants may not exceed an amount reasonably necessary to assure financial feasibility.

Construction Loan

Construction financing and bridge loans may be supported with NPS funding. In addition, Rhode Island Housing may utilize its existing construction loan financing program, available to non-profit organizations.

Homebuyer Assistance

NPS funding may be used to provide up to 20% downpayment assistance, and comparable municipal programs such as equity sharing, to assist eligible homebuyers of foreclosed properties in target areas. Such assistance may be coupled with other rehabilitation, including 203K loans, to assure properties meet code requirements.

Homebuyer Counseling

The State is mandating that every homebuyer complete a minimum of 8-hours of homebuyers counseling conducted by HUD-approved counseling agency.

Funds have been reserved to support, on a reimbursement basis, the costs for conducting this counseling for persons who have acquired a unit assisted under the NSP.

Administration

The State will reserve 10% (\$1,960,000) for administration of the RI NSP. These funds will be used by Rhode Island Housing and the Office of Housing and Community Development for staff and costs directly related to the administration of the program. In addition, a portion of the funds may be distributed to municipalities which are administering programs, as previously indicated.

A budget for feasibility analysis will be established within the Land Bank, managed by Rhode Island Housing, under which preliminary site assessment (appraisals, title search, legal work, environmental assessment) may be performed for the purpose of determining suitability of properties for assistance. This process will also assure consistency in appraisal and other standards.

ATTACHMENT D
MAXIMUM RENT SCHEDULE

Applicants shall ensure that the sale, rental, or redevelopment of abandoned and foreclosed-upon homes and residential properties under this section remain affordable to individuals or families whose income do not exceed 120% of area median income, or for units originally assisted with funds under lower-income targeting, remain affordable to individuals and families whose income do not exceed 50% of area median income.

The State is adopting the HOME standard for minimal compliance with this requirement.

The published limits are the upper limits which may be used relative to an NSP funded project. Review of individual activities submitted will assure that rents are affordable to the activity's target population, such as those earning at or below 50% of AMI for lower-income projects.

ATTACHMENT E

Rhode Island Neighborhood Stabilization Program Summary of Comments (Final)

Below is a summary of comments received and associated responses. Any revisions to the State's preliminary plan/program determined appropriate have been noted.

Comment 1: A comment received indicated concern over the likely availability of leveraged resources.

Response: Leveraged amounts listed on the activity sheets are cumulative estimates. The design does not specifically limit the amount that may be provided an individual project. While the State is aware of the challenges in accessing matching funds, it also wishes to encourage the use of NSP in the minimum amount necessary to complete the project, so that the benefit from these resources can be maximized. It should be noted that certain activities, such as TBRA (Tenant Based Rental Assistance) and operating costs, are not eligible under federal guidelines.

Comment 2: Comments to the plan encouraged a broader range of eligible activities, such as student housing. The State program should also be designed to support all elements of a housing development activity.

Response: The Draft plan intends to be very inclusive in defining eligible activities and entities able to apply for and operate programs. The State must assure that recipients have the capacity to manage the project in accordance with the regulations, including the required affordability period. Threshold review criteria listed in the plan are generally intended to guarantee feasibility of activities. While the State will consider innovative approaches to stabilize neighborhoods, it must assure all support provided meets statutory and regulatory directives.

The design does provide for eligible acquisition and rehabilitation costs. It should be noted, however, that federal regulations do not permit the use of NSP funds to support certain activities, such as operating costs. It will likely be necessary, particularly in projects targeting lower-income populations, to incorporate other funding sources to ensure financial feasibility.

Other residential housing opportunities, such as student housing, may be considered if they are shown to comply with program requirements such as "National Objective". Though the statute indicates "all of the funds

appropriated or otherwise made available under this section shall be used with respect to individual and families whose income does not exceed 120 percent of area median income," NSP regulations indicate that, unless otherwise stated, CDBG regulations apply. Regulations dictate that all activities must meet the LMI National Objective (adjusted to LMMI - 120% of AMI). The draft plan has been worded to be consistent with CDBG requirements relative to National Objective, LMI (LMMI) Housing. The State may not more broadly define the way activities qualify as meeting this requirement as these are clearly detailed by regulations.

Comment 3: Comments suggest that the entire expenditure goal for Providence could be allocated directly to the City, as a sub-recipient and that the City should be allowed to develop its own criteria for use.

Response: The State must assure funds can be obligated within the 18-month timeline and believes the plan best accomplishes this task. The State acknowledges that communities, including Providence, are well qualified to identify their priority needs and the plan has therefore granted latitude in the design and/or implementation of local programs/activities.

Programs, such as the Land Bank, will be managed by Rhode Island Housing for all NSP Target Areas. These programs will be available to benefit the City of Providence. Initially allocating the entirety of the City's expenditure goal to the municipality directly would prohibit assistance, in Providence, through these vehicles.

As indicated in comments, the City is receiving an initial allocation of \$3 million as a subrecipient. Funds have been allocated in recognition of the City's level of need, experience and capacity. The City is encouraged to expedite the commitment of its allocation and apply to the State for additional amounts. Response to such requests would be timely in consideration of expenditure deadlines. The State looks forward to working with the City to achieve a rapid disbursement of funding to truly stimulate the economy and stabilize neighborhoods. The City will have full responsibility for meeting program requirements with its allocation. As requested, an activity sheet will be added to the plan for clarification.

Finally, though the State's process does give the City some latitude in the design of its program, it must consistently implement certain program requirements as outlined in the plan.

Comment 4: Clarification was requested on the homebuyer education requirements contained in the plan. This comment suggested the course offered by the Housing Network and its members would be ideally suited to meet this requirement.

Response: The State acknowledges the success of the Housing Network's efforts, and those of its partners, to educate homebuyers. As the Housing Network and its members are the majority of HUD-approved counseling agencies available in Rhode Island, this resource will likely be utilized to meet the bulk of homebuyer education needs. However, the State does not want to place unnecessary restrictions in its program design and has therefore set its language in the plan to be consistent with HUD, NSP regulations. Though the program specifies an 8-hour course, conducted by a HUD-approved counseling agency, this requirement is a minimum. The current Housing Network's 6-week, 12-hour course and/or any variation, such as inclusion of landlord education in multi-family acquisitions, of this training which meets minimum requirements specified, could be utilized and its use encouraged.

Comment 5: Comments received suggested that administrative funds available could be used to support CDCs.

Response: The plan specifies that only State and municipal programs are eligible for administrative funds. Developer administrative costs should be supported through allowable developer's fees.

Comment 6: Comments received suggested the amount allocated to Demolition was inadequate to meet community need. Areas targeted may be overcrowded and/or need green space.

Response: The State acknowledges the amount allocated to demolition, preliminary set at 5% of the total, may be conservative to meet local need. Therefore, the State has adjusted this figure to 10% of the total (\$1,764,000) in reaction to comments received. Homebuyer assistance was reduced to account for this increase and in consideration of potential regulatory difficulties in distributing such resources. Unit projections have been adjusted to account for budget revisions. It should be noted that the State does not intend to demolish any non-blighted structure, suitable for rehabilitation and that all demolition must be conducted in accordance with a comprehensive strategy/plan to stabilize neighborhoods.

Comment 7: Clarification was requested on whether utility costs are included on the Fair Market Rents published. A comment was received expressing concern that the Fair Market Rent limits established are not necessarily affordable to populations earning less than 50% of AMI.

Response: The HUD Fair Market Rents listed include cost of shelter rent plus utilities. We must minimally comply with HOME regulations at 92.252(c) which state:

Initial rent schedule and utility allowances. The participating jurisdiction must establish maximum monthly allowances for utilities and services (excluding telephone). The participating jurisdiction must review and approve rents proposed by the owner for units subject to the maximum rent limitations. For all units subject to the maximum rent limitations for which the tenant is paying utilities and services, the participating jurisdiction must ensure that the rents do not exceed the maximum rent minus the monthly allowances for utilities and services. This schedule is available at the Office of Housing and Community Development and Rhode Island Housing.

The FMR's published are the upper limits which may be used relative to the NSP. Review of individual projects submitted will assure that rents are affordable to an activity's target population, such as those earning at or below 50% of AMI for lower-income projects. In order to meet this requirement and assure activity feasibility, it may be necessary to incorporate Tenant Based Rental Assistance and/or operating subsidies. Language has been added to the FMR chart to assure applicants are aware of the above requirements.

Comment 8: Numerous comments were received questioning the methodology used to identify target areas and expenditure goals.

Response: As the NSP plan lays out in Attachment B, 3 layers of data were used to determine the target areas and the allocation goals within those areas. The statute requires that the distribution plan consider actual foreclosures, areas of subprime lending activity and potential for future foreclosures. To that end data was drawn from the following:

- **Potential future foreclosures:** To identify areas with high potential for future foreclosure activity data was drawn from the chart provided by HUD which established a “Predicted 18 month underlying problem foreclosure rate” for every census tract in the state. That rate was established using Office of Federal Housing Enterprise Oversight (OFHEO) data on decline in home values as of June 2008 compared to peak home value since 2000, Federal Reserve Home Mortgage Disclosure

Act (HMDA) data on percent of all loans made between 2004 and 2006 that are high cost, Labor Department data on unemployment rates as of June 2008, and USPS data on residential addresses identified as being vacant for 90 days or longer as of June 2008.

- **Areas of subprime lending:** To identify areas with a high percentage of subprime loans data was drawn from the Federal Reserve Bank of Boston's American Loan Performance data on subprime mortgage lending as of April 2008.
- **Actual foreclosures:** For actual foreclosures data was drawn from Warren group data on filings of foreclosure deeds and real estate transactions involving an institution from January to September 2008. Both of these data sets were screened to eliminate duplication and non-foreclosure transactions. In order to apply a consistent and equitable methodology for all communities, the Warren Group information was used. In areas where we identified holes in that data we sought additional information from the Warren Group or refined the data set based on the trends in the months for which we had better data. Originally only foreclosure deeds were being captured from the Warren Group, however a review of the addresses provided by the City of Providence highlighted the need to also utilize data on non-person real estate transactions.

To be identified as a targeted area, a census tract would have to have to show significant impacts **in all three areas**. *(predicted foreclosure rate of at least 6.5% (rounded up to 7%), home to at least 1.4% of the state's subprime loans, and be located in a municipality that represents a portion of the State's foreclosures and where the targeted census tracts include at least 10 foreclosures.)*

The actual allocation goal for each targeted community was pro-rated based on the percentage of foreclosures occurring in the targeted census tracts within that community.

Comment 9: A comment received suggested increasing the income targeting of the program. A larger percentage (30%-40%) could be used to house individual and families at 50% of area median income. This lower income targeting should be a statewide goal. Remaining funds, currently targeting up to 120% of AMI, could be distributed, consistent with standard CDBG program income requirements up to 80% of AMI. Conflicting comments were received, indicating the funds should focus on stabilizing neighborhoods.

Response: All funds must be spent to benefit "middle income," those at or below 120% of AMI. 25% of the resources must be used to house lower-income groups (up to 50% of AMI). These requirements are statutory and regulatory. Though the State encourages targeting lower income populations, it has not changed the language of the plan which is

based upon HUD-minimum requirements relative to income eligibility. The State wishes to grant local neighborhood plans the widest flexibility in designing programs which will stabilize the area affected. The State does anticipate a large number of projects will be supplementing NSP resources with other funds, such as HOME and CDBG, which have more strict income guidelines. In such instances, the lower income targeting will apply to the activity. It is also acknowledged that the amount specified for low-income targeting (below 50% of AMI) is a statewide goal and minimum. However, the State expects the geographic distribution of units created for this lower-income group to be generally consistent with the geographic distribution of resources. Due to the size of Providence's expenditure goals, the lower-income targeting goal cannot be met without participation by the City.

The State does wish to encourage targeting these amounts to lower-income populations, such as the homeless. Other resources, including Continuum of Care funds, do focus or include priorities for the homeless and could be used to effectively leverage the NSP. Final language of the program design/amendment has been revised consistent with this concept.

Comment 10: A comment was received emphasizing that the municipal expenditure goals are not amounts "entitled" to each municipality.

Response: The comment is correct in that expenditure goals listed are target amounts which will be reviewed every 4 months. To assure compliance with use requirements, amounts may be adjusted. Some programs are administered at a state level, while other activities are to be administered locally and/or through other developers. All amounts will not necessarily be passed through communities. The State intends to consult with communities in reviewing projects, but the State must retain responsibility for compliance for its own expenditures.

Comment 11: Comments received requested clarification on the applicability of relocation requirements (Uniform Relocation Act) on units assisted.

Response: The Uniform Relocation Act requirements apply to projects assisted under the NSP. However, by regulation the program primarily targets abandoned or foreclosed properties, which are typically vacant. There may be instances in which an assisted unit is still occupied. As specified in the URA, an occupant of a unit which is acquired, rehabilitated or demolished with CDBG/NSP financial assistance may be eligible to receive relocation and other benefits. Due to impact on financial feasibility relocation requires, the State does not anticipate undertaking significant displacement as part of assisted projects. Explicit language permitting support of required relocation benefits as an eligible development cost has been added to the plan for clarification.

Comment 12: Comments received suggested the program should attempt to minimize displacement and/or target individuals and families who have been displaced by foreclosures in the renting or sale of any units developed with NSP funds.

Response: The State NSP does endeavor to provide housing opportunities to those households directly impacted by the foreclosure crisis. However, limiting occupancy to displaced individuals would be difficult to manage as information on such is not regularly maintained. Developers of projects are permitted to implement activities targeting this priority population at their discretion and when appropriate. Program requirements and participant counseling/training will assure occupants of units are able to sustain housing opportunities provided.

Comment 13: The City of Providence has requested a larger allocation to the Downpayment Assistance activity.

Response: While the State acknowledges that homeownership is a key component of the City's stabilization plan, implementation of this program may be challenging. Purchase discounts and appraisal requirements may limit buyer willingness to participate in the program. The City's initial Administrative allocation will provide for homeownership marketing, to help solicit owners interested in purchasing foreclosed properties and current vacant affordable homeownership units in the City's target neighborhoods. If the City is able to disburse allocated program funds, stabilizing communities targeted, it may request additional resources to continue the endeavor.

Comment 14: The City of Providence has commented that the State plan does not follow the intent of neighborhood stabilization and instead promotes affordable housing, with an emphasis on rental housing.

Response: The plan does not make any distinction between rental and homeownership housing opportunities, with the exception listed below. Local plans for sustainability should consider the character and needs of neighborhoods to assure activities are appropriately funded. Activities funded should be those necessary to stabilize neighborhoods targeted. The City's statements do not appear consistent with the current plan.

The plan also allows for all categories of eligibility and income qualifications as stated in the Statute and in the regulations. Local plans will address which specific activities can best be used to stabilize communities. By regulation, NSP may not support activities benefiting persons/individuals above 120% of AMI.

The 25% of funds (\$4,900,000 statewide) to be used to house individuals/families at or below 50% of Area Median Income (AMI) are "anticipated" to be generally rental in nature. Allocation of these resources to this income group is a statutorily required minimum.

Comment 15: The City of Providence objected to HOME references in the plan, indicating such might cause confusion relative to income limits.

Response: References to the HOME program are primarily related to Continued Affordability and as an optional leverage source. Both the statute and the regulation specifically note that the HOME program Continued Affordability requirements are those minimally required under this program. However, additional language clarifying income requirements (up to 120% of AMI) has been added to the Continued Affordability section of the plan.

Comment 16: A comment received noted the impact the foreclosure crisis has had on minority populations. Concern was expressed that the State NSP complies with the Fair Housing Act.

Response: Under federal law, individuals seeking housing may not be discriminated against based on their race, color, religion, sex, ancestral origin, familial status or disability. State law also prohibits housing discrimination based on marital status, sexual orientations, age (18+), gender identity or expression and being a victim of domestic abuse. It is also illegal to discriminate against someone because of his/her association with members of a protected class. Additional protections and requirements exist for persons with disabilities.

An entity affirmatively furthers fair housing when it proactively promotes the value of fair housing in its approach to marketing, community outreach and resident selection. Marketing and outreach efforts should encourage application by households who are least likely to apply because of characteristics protected by fair housing law. A technical assistance guide to fair housing, including affirmative fair marketing, will be made available to all NSP recipients.

The State fully intends to comply with applicable fair housing laws in the implementation of the NSP. While the plan submitted to HUD is an overview of activities which may be funded, each applicant must submit a strategy/plan detailing the specific activities to be used to stabilize a target neighborhood. These plans will be reviewed by the State and Rhode Island Housing to assure area needs, including the needs of minorities, are addressed appropriately.

The Office of Housing and Community Development has and will continue to recommend legislation and policies to prevent displacement from foreclosure.

Comment 17: A comment received noted the employment impact of this program.

Response: The State acknowledges this program will not only serve to stabilize neighborhoods and house individuals, but also should help to stimulate economic development.

Since an emphasis of the program is the rehabilitation and redevelopment of residential properties, the State anticipates a significant effect on the construction industry. Over the next several years, millions of NSP funds will be invested in residential rehabilitation and development. The State intends to track the impact this investment has on employment in the construction trade.

Funded activities must comply, when applicable, with the Section 3 regulations, which require that recipients of assistance, to the greatest extent feasible, provide job training, employment and contracting opportunities for low- and very low- income residents in connection with projects and activities in their neighborhoods.

Comment 18: More detail was requested on the Demolition activity. Concern was expressed about potential displaced resulting from this activity.

Response: An activity sheet has been prepared for the Demolition activity. Demolition may only occur on units meeting the definition of blight. Relative to NSP, the State's definition requires units to be unoccupied and not financially suitable for rehabilitation. No displacement, as defined by URA, is likely to occur from NSP-supported demolition activities. Displacement will be minimized and will likely be avoided in all other funded activities.

Comment 19: A comment received indicated the State should spend a substantial portion of its resources on occupied units, to mitigate the impact of foreclosures.

Response: The NSP was designed to address the impact foreclosures have had on communities. By federal regulations, it may not be used for foreclosure prevention. The majority of fundable activities target abandoned or foreclosed properties. These units are typically vacant. However, if a unit is occupied, investment of NSP funds do trigger Uniform Relocation Act requirements and tenants may be eligible for relocation assistance in accordance with the law. The program may also entertain proposals for occupied units, if applied for in accordance with the federal and State restrictions. If a homeowner has been permitted to occupy the structure

post foreclosure, the property would likely meet required definitions and be eligible for assistance. Further, this type of structure may lack some of the problems typically associated with vacant foreclosures (distress, missing copper) and may be more easily rehabilitated, stabilizing the community. Applicants wishing to pursue occupied structures should contact the State to assure appropriate procedures are complied with.

Comment 20: The City of Providence is advocating for a larger portion of the funds be allocated to the community.

Response: Expenditure goals established in the plan are consistent with data resources used. These goals will be reviewed every four months and adjustments made as appropriate to assure federal "use" requirements are met.

The State has created several mechanisms to assist in the stabilization of neighborhoods. Some of these mechanisms are administered at a State level. Providing the entire expenditure goal to Providence initially would limit its access to these resources. The City has been allocated approximately one-third of its expenditure goals. If these funds are expended, the plan permits the City to request additional resources to support programs/activities designed to stabilize target neighborhoods.

With over 55% of its allocation targeted to Providence, the State draft plan clearly acknowledges the needs of this City. Though applications will be funded on a first-come, first-served basis as indicated in the plan, the review will be conducted in accordance with the expenditure goals established. This will assure the allocation of the majority of resources within the City of Providence.

Though Providence clearly has a significant need, expenditure goals have also been established for other highly impacted communities, such as Central Falls and Pawtucket. Our overall distribution of resources must endeavor to comply with these stated expenditure goals.

Comment 21: Comments were generally received requesting more detail on program requirements.

Response: Interested parties are reminded that the State's plan is an overview of activities to be funded and areas to be targeted by the State's Neighborhood Stabilization Program. Specific activity and program requirements will be detailed in application materials available subsequently. Each application will include a strategy/plan on how to address the needs of the target neighborhood. This level of detail is currently not available and/or listed in the State's plan. In addition, it should be noted that many of the requirements detailed in the plan are

established minimums to assure compliance with statutory and regulatory imposed program restrictions.

Comment 22: The program should continually provide opportunity for public comment through the life of the program.

Response: The State intends to maintain the NSP website at <http://www.hrc.ri.gov/NSP.php> and periodically provides reports updating the program's accomplishments and progress in meeting stated goals. This regular tracking will ensure the State is able to react to findings and adjust goals and the plan appropriately.