Grantee: Rhode Island State Program
Grant: B-11-DN-44-0001
April 1, 2011 thru June 30, 2011 Performance Report
Narratives

Summary of Distribution and Uses of NSP Funds:

A total of $5 million has been allocated to the State of Rhode Island's Neighborhood Stabilization Program (NSP). Up to $500,000 will be retained for State administration of this program. State administrative funds will be shared with Rhode Island Housing, who will operate this program in partnership with the State. Remaining funds, totaling $4.5 million, will fund competitive application(s).

Eligible applicants included municipalities, non-profit organizations (including Community Development Corporations) and for-profit development entities. Application must be activity and site specific; general programs will be not be entertained.

The State issued a Request for Proposals (RFP) in conjunction with other State and Federal resources for housing development. This joint application covers the Neighborhood Stabilization Program 3, Building Homes Rhode Island (BHRI), Neighborhood Opportunities Program (NOP), HOME and Lead funding. Applications were due mid-January, 2011. While each program has a unique process for the review of applications and determination of awards, the programs will be coordinated to assure projects are funded from the most appropriate sources. An impact plan was submitted with all NSP applications and will be considered as part of review criteria.

NSP3 Application Review

Applications received were reviewed for compliance with fundamental NSP/CDBG rules and regulations. Generally, the State prioritized those projects which have the greatest impact in areas with the highest level of need. Other factors considered in the review process include:

1. Capacity of the applicant to undertake the proposed project.
2. Feasibility of the project, as proposed.
3. Timeliness of the project to expend funds in accordance with NSP regulations.
4. Other Resources - projects which leverage NSP resources will receive priority consideration. However, an activity may be denied funding is the committee feels an alternative resources is available or more suitable for the application under consideration.

To serve as a support element for the program, a funding committee ("committee") was established to review and select applications and made funding determinations. The committee will be comprised of two representatives from the Office of Housing and Community Development (OHCD) and two representatives from Rhode Island Housing (RIH). Funding decisions will be made by majority determination.

How Fund Use Addresses Market Conditions:

HUD has provided estimates of foreclosure need and a foreclosure related need score at the Census Tract, Block Group level. HUD regulations require the State's NSP3 identified target geography be not less than the lesser of the twentieth percentile most needy score in Rhode Island, in this instance, not less than 15. The target neighborhoods selected by the State, to maximize assistance to areas of greatest need, have an individual (and combined) HUD need score of 17 or greater. This information is consistent with previous data collected, including HUD-predicted foreclosure rates and areas with high level of subprime loans, by the State relative to NSP1 to identify areas of greatest need. The State has incorporated data for the City of Providence, an entitlement community, in its assessment.

The State will attempt to maximize impact by focusing its resources on highest need area(s) in which the largest percentage of REO properties can be address or have been addressed (impact).

The specific areas targeted by the State for NSP3 include:

1. Central Falls (Central) Census Tracts(Block Groups): 109(2); 108(2)
2. Pawtucket (Central) Census Tract(Block Group): 164(1) , 161(3)
3. Providence, Smith Hill Census Tract (Block Groups): 026(1 & 2)
4. Providence, West End Census Tract (Block Groups): 014(1, 2 & 3)
5. Providence, South Side Census Tracts (Block Groups): 004(1, 2, 3 & 4); 005(1 & 2); 006(2)
6. Providence, Olneyville Census Tract (Block Groups): 019(2, 5 & 6)

Neighborhood Stabilization Program 3 guidance indicates projects supported should have sufficient impact on the target area. Applicants need to identify targets areas that are small enough so that their NSP3 investment has a chance of making this impact. HUD has published the estimated number of (REO) units in each Block Group which need to be addressed to make a visible impact.

The State has conducted a competitive application round in identifying the specific target areas to support. Following is a representative sample of site-specific projects to be funded in these areas. The State may fund additional units in these same target areas. This will assure impact requirements are met in the event initial properties identified are determined not feasible.

Central Falls (Central) - Target Impact 5 units
Pawtucket (Central) - Target Impact 5 units
Providence, Smith Hill - Target Impact 5 units
Providence, West End - Target Impact 9 units
Providence, South Side - Target Impact 16 units
Providence, Olneyville - Target Impact 7 units

TOTAL State Target Impact - 47 units.

The State will assure a minimum number of units in each of the target area are supported with NSP3 resources to meet impact requirements (individually and cumulatively). It is important to note these target neighborhoods have additional invest of local, State and federal resources, maximizing the impact beyond what NSP alone could provide.

Ensuring Continued Affordability:

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

Definition of Blighted Structure:

"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.

Definition of Affordable Rents:

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.

**Housing Rehabilitation/New Construction Standards:**

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 (R23-24.6PB) 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.**

- **All gut rehabilitation or new construction of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes. All gut rehabilitation or new construction of mid- or high-rise multi-family housing must be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy. Other rehabilitation must meet these standards to the extent applicable to the rehabilitation work undertaken (eg replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-46 labeled products. Water efficient toilets, showers and faucets, such as those with the WaterSense label, must be installed.**

Where relevant, the housing should be improved to mitigate the impact of disasters (eg. flooding, hurricane).

**Vicinity Hiring:**

**Procedures for Preferences for Affordable Rental Dev.:**

**Grantee Contact Information:**

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Carol Ventura, Director of Development - Rhode Island Housing  (401) 457-1129; cventura@rihousing.org

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During the quarter ending 06/30/2011, the State of RI has been in the process of selecting Projects and Activities. The NSP3 award obligations will be entered into the DRGR in the next quarter.

Overall Progress Narrative:

Project Summary

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