



Rhode Island Housing
working together to bring you home

MEMO

To: Developers, Eligible Cities and Towns
From: Carol Ventura, Director of Development
Date: January 5, 2009
Subject: Neighborhood Stabilization Program (NSP) Bulletin 2008-01

The purpose of the Neighborhood Stabilization Program (NSP) is to assist in the revitalization of neighborhoods through the acquisition and redevelopment of foreclosed properties that might otherwise become abandoned and/or is a source of blight within their communities. The NSP funding will be leveraged with other available funding sources to protect neighbors, stimulate the Rhode Island economy and provide safe, sustainable, affordable homes.

The Neighborhood Stabilization Program is a federal HUD funded program that must meet all applicable federal regulations. Rhode Island Housing will administer the Neighborhood Stabilization Program in cooperation with the Rhode Island Office of Housing and Community Development.

Rhode Island Housing will administer three NSP funds: Rhode Island Neighborhood Stabilization Land Bank, NSP Housing Development Assistance, and NSP Homebuyer Assistance. NSP funds may be used to acquire, rehabilitate, or demolish foreclosed property as well as to provide purchase assistance to buyers seeking to purchase and occupy foreclosed homes.

Program Bulletin 2008-01 sets forth the general process and requirements for Neighborhood Stabilization Land Bank and NSP Housing Development Assistance. Rhode Island Housing will issue a separate program bulletin dealing with NSP Homebuyer Assistance.

Applications may be submitted directly to Rhode Island Housing for these programs starting on January 5, 2009.

A. General Program Requirements

Eligible applicants include for profit and non-profit developers, public housing authorities, cities, towns, and homebuyers.

All NSP funds must be expended only within the eligible target areas established for the NSP in the communities of Providence, Pawtucket, Cranston, Woonsocket, Central Falls, Johnston, Warwick, West Warwick, North Providence, East Providence and Cumberland. The targeted areas of each community are attached and listed by Census Tract & Block Group.

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NSP funds may be used only to assist individuals and families whose incomes do not exceed 120 percent of area median income. The program requires that 25% of the funding be used to benefit households with incomes at or below 50% of area median income.

All of the units assisted with NSP funding must comply with the following housing rehabilitation standards: a) Rhode Island Housing Maintenance and Occupancy Code (R.I.G.L. Chapter 45-24.3) and Rhode Island Minimum Housing Building Code (R.I.G.L. Chapter 45-24.2); b) HUD Housing Quality Standards (HQS); c) Federal and State Lead Based Paint Standards (HUD Standards, 24 CFR Part 35, Subpart J (Rehabilitation) and Subpart K (Acquisition/Services); Rhode Island Department of Health Standards, R23-24.6-PB); d) Rhode Island Rehabilitation and Building Fire Code for Existing buildings and Structures (R.I.G.L. Chapter 23-29.1); and e) Local code and zoning ordinances.

To the extent feasible, developers are encouraged to incorporate modern green building technology and must include energy efficiency improvements in all NSP activities.

All properties acquired with NSP funds must be purchased at a 15% discount below the currently appraised value. A discount of less than 15% may be allowed in exceptional circumstances.

All NSP funds must be committed to specific properties within 18 months and all funds must be expended within four years of the program start date, January 5, 2009.

B. Rhode Island Neighborhood Stabilization Land Bank

Rhode Island Housing will administer a separate land bank specifically for NSP eligible property to acquire and hold abandoned and foreclosed properties located in targeted areas. Applications for acquisition of eligible properties may be submitted to the Neighborhood Stabilization (NS) Land Bank by any eligible entity. Properties will be temporarily held in the Land Bank until the eligible entity is prepared to acquire and rehabilitate/redevelop the property, as appropriate. The NS 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 number of foreclosures acquired for the land bank for any one developer may also be limited to ensure the timely redevelopment of properties.

When requesting that a property be purchased by the NS Land Bank, the eligible entity must also submit a plan or strategy to stabilize the target neighborhood, identify available foreclosed properties critical to the stability of the neighborhood (the Neighborhood Stabilization Plan). See Section D, below, for a description of the contents of the Neighborhood Stabilization Plan. Applicants may submit single or multiple properties to the NSP Land Bank for due diligence, feasibility analysis, and streamlined land bank processing. Bulk sales are encouraged and may be negotiated in conjunction with Rhode Island Housing. The Neighborhood Stabilization Land Bank will provide property management services and may contract for appraisals, legal, title, and inspection services.

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

i. Application Process

The NS Land Bank will utilize Neighborhood Stabilization Program funds to acquire and hold on behalf of Developers and Municipalities, eligible properties that will be developed as housing affordable for low and moderate-income Rhode Islanders. Developers and municipalities who wish to secure property through the NS Land Bank shall fax, e-mail or deliver to Rhode Island Housing the Express Application Form (attached) identifying potential site(s).

Rhode Island Housing will inspect each property to determine feasibility, foreclosure and occupancy status, and consistency with the Neighborhood Stabilization Plan. For properties determined eligible for the NSP Land Bank, Rhode Island Housing staff will initiate the HUD-required Environmental Review process and order an appraisal for each property. All requests for NSP funding must include a budget and redevelopment schedule, a plan for the long-term reuse of the property and evidence of consistency with the Neighborhood Stabilization Plan.

Rhode Island Housing Development Corporation will execute the purchase and sales agreement or the purchase and sales agreement must be assignable to Rhode Island Housing Development Corporation. Purchase and sales agreements must include, at a minimum, two contingencies: a) Approval of NSP financing; and b) An appraisal satisfactory to Rhode Island Housing. All properties must be acquired at 15% discount below the current appraised value. By exception, a discount of less than 15% may be available for a property if the consensus of the applicant, Rhode Island Housing and the Office of Housing and Community Development is that it will have a critical impact on the neighborhood.

Rhode Island Housing will agree to hold the property for the applicant for six months. For all properties financed and held by the NSP Land Bank for a term longer than six months, a six percent (6%) annual (one-half of one percent monthly) carrying fee will be assessed.

Properties that are held in the NS Land Bank will be maintained by Rhode Island Housing including any emergency repairs that may be necessary.

C. NSP Housing Development Assistance

Rhode Island Housing will accept applications from eligible applicants for the acquisition and/or rehabilitation of foreclosed or abandoned properties in designated target areas. In order to maximize production, NSP Housing Development Assistance will be used as gap financing to allow developers to (i) take properties out of the Land Bank and to renovate them for rent or for sale; and (ii) to acquire and renovate properties to the rehabilitation standards. Developers must identify the target area(s) in which they plan to invest and develop a Neighborhood Stabilization Plan. See Section D, below, for a description of the required contents of the Neighborhood Stabilization Plan.

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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 collectively review proposals against threshold criteria, determine the necessary level of funding, and approve NSP funding as subordinate financing. Loans and grants may not exceed an amount reasonably necessary to assure financial feasibility.

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 expenses may be included in the financing. NSP Housing Development Assistance 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 such as the Building Homes Rhode Island bond program and the Neighborhood Opportunities Program, NSP will meet the needs of lower income households. This program will put rental and for-sale homes back into the market and attract additional investment into the neighborhood.

i. Application Process

All applications must include a total development budget for the acquisition and redevelopment/reuse of the identified properties, a schedule for the redevelopment and a plan for the long term use of the property, and evidence of consistency with the Neighborhood Stabilization Plan. A marketing and property management plan must be provided with the application.

All properties must be rehabilitated or redeveloped as residential property benefiting families and individuals with incomes at or below 120% of the area median income (attached). A minimum of 25% of all NSP funds must benefit families and individuals with incomes at or below 50% of the area median income.

Similar to HUD requirements under the NS Land Bank, the acquisition price of property must be discounted at 15% below the currently appraised value. A discount of less than 15% may be available for a property if the consensus of the applicant, Rhode Island Housing and the Office of Housing and Community Development is that it will have a critical impact on the neighborhood.

All applications must meet applicable CDBG and NSP regulations as published by HUD.

The HOME program standards are the minimum standards for determining affordable rents and affordability periods. Purchase prices may not exceed the limits established by the Building Homes Rhode Island for households with incomes up to 120% of area median.

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Traditional rehabilitation costs, including energy efficiency, conservation, or renewable energy, are eligible NSP Housing Development Assistance expenses. All properties must meet applicable Rhode Island building codes, lead and minimum property standards. Other transaction costs such as appraisal costs, legal fees and other carrying costs are all eligible NSP activities and may be included in the NSP financing package. A maximum developer's fee of 15% of total development costs is also allowed under the NSP.

Subordinate NSP financing will be payable upon transfer of title or refinancing of the property at 0% interest. Interest rates for construction or bridge financing will be set monthly at market rates.

ii. Application Review

Completed applications will be reviewed by Rhode Island Housing staff for feasibility and compliance with program requirements. Eligible applications will then be reviewed by a joint committee of Office of Housing and Community Development and Rhode Island Housing staff.

Applications will not be considered for funding unless they meet all Threshold Criteria identified below:

- 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.
- 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 fall within the boundaries of an identified Target Area and funds are available in the subject jurisdiction/category.
- Beneficiary Income Levels - 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 impact the neighborhood. The Plan must adequately document impact.
- The proposal must demonstrate how it will meet Continued Affordability (including Enforcement) requirements and ability to implement funding immediately.

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Rhode Island Housing and the Office of Housing and Community Development will consult with affected communities, including Providence, in reviewing projects.

D. Neighborhood Stabilization Plan

To be considered for NSP Land Bank or NSP Housing Development Assistance, developers and municipalities must provide a written neighborhood plan which identifies target areas and strategies for stabilizing neighborhoods through the redevelopment of vacant, abandoned and foreclosed properties.

The Plan should also provide a detailed strategy for the redevelopment including demolition plans, development work scopes, timetables, expected other housing program funds to be utilized, public facilities and improvements, and marketing plans. The Plan must identify criteria and/or priorities used to determine which properties to purchase. The Plan must also include projected expenditures, tenure, and target populations by income range for redeveloped properties.

To maintain consistency between Plans and maximize the impact of NSP funding, developers and municipalities may propose a joint or coordinated Plan drafting. In addition, a developer may submit an application to develop a property consistent with an existing approved Neighborhood Stabilization Plan previously submitted by another applicant.

E. Demolition

Rhode Island Housing will not provide funding for the acquisition or construction of a property intended for demolition unless the demolition has the prior approval of the Office of Housing and Community Development.

F. City of Providence

Providence will receive an allocation of funds to carry out its own NSP activities. However, the City of Providence or developers may also apply to Rhode Island Housing for eligible NSP activities in Providence.

For additional information on the Neighborhood Stabilization Program, please visit www.hrc.ri.gov/NSP.php.

If you have further questions or comments, please feel free to contact Joe Voccio at 457-1284 or jvoccio@rhodeislandhousing.org.