

State of Rhode Island

National Housing Trust Fund – Allocation Plan

July 29, 2016

HTF Program: Method of Distribution

The Housing Trust Fund (HTF) is a new affordable housing production program that will complement existing Federal, state and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low- and very low-income households, including homeless families¹.

Resource Allocation

Rhode Island Housing administers the state's HTF award. The amount of funding varies annually but is not dependent on federal appropriations. No matter the amount of the total award, Rhode Island Housing utilizes 10% of the allocation for Rhode Island Housing's administrative expenditures incurred at the minimum necessary to cover overall program administration. Of the balance, we estimate that at least 80% will be used for rental housing production or rehabilitation and that no more than 10% will be allocated toward the development of homeownership opportunities. There is no set-aside for rental, homeownership, or operating reserves.

All Rhode Island HTF funds must assist Extremely Low Income Households earning less than 30% of Area Median Income until the national HTF balance reaches \$1 billion. After the national HTF balance exceeds \$1 billion, up to 25% of the funding may be used to assist Very Low Income Households earning less than 50% of Area Median Income.

Nature of the Program:

Funding will be allocated in a competitive application process open to all eligible entities, including cities and towns, nonprofit housing organizations, and for-profit developers. It is available to all communities in the State, with priority given based on criteria mentioned in the scoring section below.

In addition, HTF-assisted rental units must have rents that are at the lower of the Poverty Rent or 30% rent unless assisted with project or tenant based rental assistance. Each year, HUD publishes the applicable HTF rent limits by area, adjusted for bedroom size. For HTF-assisted homeownership, the sales price cannot exceed the applicable HTF Sales Price Limits published annually by HUD.

HTF-assisted homebuyer and rental housing must remain affordable for a long-term affordability period of at least thirty (30) years. HTF-assisted homebuyer housing is also subject to Rhode Island Housing Resale and Recapture Policies.

¹ To learn more about the HTF program, visit the HUD Exchange at:
<https://www.hudexchange.info/programs/HTF/>.

Rhode Island Program Priorities

1) High Priorities:

- a) Acquisition and/or substantial rehabilitation and/or new construction to provide rental units for extremely low-income families;
- b) Acquisition and/or rehabilitation and/or new construction of housing units for homeless and special needs populations in conjunction with supportive services;
- c) Acquisition and/or rehabilitation and/or new construction of housing units that provides or will provide project-based rental assistance to eligible tenants.

2) Medium Priorities:

- a) Preservation of existing affordable housing stock through rehabilitation, acquisition, or other eligible assistance;
- b) Acquisition and/or rehabilitation and/or new construction to provide units for extremely and very-low income one and two-person households;
- c) Acquisition, and/or rehabilitation and/or new construction to provide rental units for extremely and very low-income elderly residents.

3) Low Priorities:

- a) Moderate rehabilitation of rental units for extremely and very low-income families throughout the State including the elimination of lead based paint hazards, correction of code violations, the provision of handicapped access for persons with disabilities and for the elderly, and to increase the energy efficiency of units occupied by lower income families;
- b) Acquisition and/or substantial rehabilitation and/or new construction to provide homeownership opportunities for extremely and very low-income families;
- c) Funds used to create additional affordable housing units to assure no net loss of units as a result of demolition, conversions to homeownership, prepayment or voluntary termination of State or federally assisted mortgages.

Rhode Island Housing has determined that direct homeownership assistance, down payment and closing cost assistance, which do not include housing development, are not among priorities of the HTF Program.

Application Process:

Rhode Island Housing staff will review project applications to ensure their compliance with all federal and state regulations and to assess overall project feasibility.

All applicants must submit sources and uses, operating budgets (if rental), a trended proforma matching the corresponding affordability period in addition to the applicant's financial audit, evidence of site control, detailed construction/rehabilitation budget, flood zone maps, evidence of market demand, tenant/buyer selection policies and affirmative marketing plans. Incomplete applications will not be considered for funding.

Applications are scored based upon the criteria shown in the section below. Rhode Island Housing staff recommends funding of specific activities to the Board of Commissioners. Upon preliminary commitment by the Board of Commissioners, Rhode Island Housing staff will complete underwriting and cost reasonableness analysis and submit the project back to the Board of Commissioners for final commitment. HTF Commitments will then be formally awarded by Rhode Island Housing to HTF sponsors in the form of an executed HTF Agreement.

Rhode Island Housing will conduct up to four (4) competitive rounds per program year – one as part of the Low Income Housing Tax Credit application process and three additional rounds as part of a joint application with other ancillary funding programs (such as HOME, Thresholds, etc.). Additional rounds may be held if there are remaining project funds not yet committed. Applicants not funded in one round are encouraged to re-apply in subsequent rounds.

Funds will only be committed to proposals ready for construction or implementation within six (6) months of project closing.

Minimum Requirement Threshold

For an application to be scored it must meet and/or exceed the following requirements:

- A complete application including all attachments submitted on or before the application deadline;
- Eligible activities are proposed by an eligible entity meeting all HUD regulations for the HTF program as published in the Federal Register at 24 CFR Part 93.200-93.205;
- Proposed assistance amounts to a minimum of \$1,000 per unit
- Project is deemed feasible as presented;
- The project submission meets all Construction and Rehabilitation Guidelines (see description below); and
- Project will begin within six (6) months of Commitment.

Selection Criteria and Relative Importance:

Scoring of applications is based on the following factors:

Scoring Factor	Total Possible Points
<u>Meeting State Priority Housing Needs:</u> The extent to which the proposal addresses one or more of the HTF Program Priorities outlined below (High priorities=30 points; Medium priorities=25 points; Low priorities=20 points; projects not matching funding priorities will be scored at the discretion of the staff but may not receive more than 15 points in this category)	30
<u>Applicant Ability to Obligate and Undertake Eligible Activities:</u> Capacity of the applicant to undertake the proposed activity (past project performance- up to 7 points, development and management team- up to 7 points, financial feasibility- up to 6 points, deduction of up to 9 points for HOME findings in monitoring- 3 points, past compliance concerns- 3 points, and/or lack of responsiveness to past requests for required information - 3 points)	20
<u>Leverage and Match:</u> Commitment of and amount of leveraged resources and available match (non-federal match will be pointed more highly)	15
<u>Use of Non-Federal Resources:</u> Diversified sources of investment (total investment of federal vs. state and private funding)	10
<u>Meeting Priority Housing Needs:</u> Demonstrated demand for units (full points allocated if waiting lists are provided, 5 points for demonstration of need but not demand)	10
<u>Sustainable Design:</u> Utilizes green and/or sustainable design components	10
<u>Community Participation:</u> Evidence of community and/or resident participation in project planning or execution	5
<u>Public Benefit:</u> Project makes use of property owned, held, or controlled by State or federal agencies or authorities. <i>HTF funds cannot be utilized for acquisition of properties from the Rhode Island Housing Land Bank.</i>	5
<u>Geographic Diversity:</u> HTF funding is available to all communities in the State. Priority will be given to communities who have yet to meet or exceed State goal that at least 10% of housing stock is affordable (1 point). Additional points will be given for each of the follow: <ul style="list-style-type: none"> •accessibility to transit (1 point); •accessibility to employment centers (1point); • accessibility to high performing schools (1 point); • accessibility of community services (1 point) 	5
<u>Duration of Affordability:</u> Term of Affordability exceeds minimum requirements for type of unit and amount of funding requested (meets affordability - 2 points, 31-40 years – 3 points, 41-50 years – 4 points, 51+ years – 5 points)	5
<u>Meeting Priority Housing Needs:</u> Project addresses market/community need (including serving populations with special needs)	5
<u>Additional Merits:</u> Project provides access to resident services and supports (maximum point allocation to those applications which include executed MOUs with service partners)	5
TOTAL	125

Geographic Distribution

As described in the scoring factor matrix for the HTF, HTF funding is available to all communities in the state. However, priority will be given to communities who have yet to meet or exceed the state's Low and Moderate Income Housing Act requirements. Geographically-based distribution criteria for HTF funds also include factors that contribute to improving or sustaining economic opportunity for the future tenants or owners of the homes developed. These criteria include additional points for accessibility to transit, accessibility to employment centers, accessibility to high performing schools and accessibility to community services.

Construction/Rehabilitation Guidelines

It is Rhode Island Housing's expectation that all project sponsors will retain an architect/engineer and/or cost estimator to prepare architectural plans and to estimate project costs. Rhode Island Housing's construction staff will evaluate all design and scope documentation to determine whether the proposed project will meet various program requirements as well as all applicable local, state, and federal regulations. Rhode Island Housing's construction staff will also review the documentation to ensure that the project conforms to Rhode Island Housing's construction and rehabilitation guidelines.

One of the objectives in making HTF subsidy awards available is to produce developments of quality construction and livable design that will enhance the communities in which they are built. All developments to be financed through Rhode Island Housing's HTF program must meet the requirements set forth in Rhode Island Housing's HOME & HTF Design and Construction Guidelines.

All Rhode Island Housing developments funded through the State Home Investment Partnerships ("HOME") Program, State Housing Trust Fund ("HTF") Program and Rental Housing Production Program must adhere to these Standards. See Appendix A: HOME & HTF Design and Construction Guidelines.

In both rehabilitation and new construction, the completed housing must meet all applicable state and local codes, ordinances, and requirements. In addition, the completed housing must meet Uniform Physical Condition Standards (UPCS) for the site, building exterior, building systems and common areas, and must comply with HUD 24 CFR Part 35 with respect to lead-based paint hazards.

Performance Goals and Benchmarks

It is expected that the HTF will contribute to the development or preservation of 50 units of housing per year. This estimate is based on analysis of previous funding rounds of a similar program (HOME Program). If less units of housing are assisted with HTF funds than this expectation, then allocation priorities will be reconsidered in future program years.

In accordance with the Notice of Outcome Performance Measurement System for Community Planning and Development Formula Grant Programs dated March 7, 2006, Rhode Island Housing will evaluate the HTF Program using the IDIS Outcome Performance Measurement System.

The HTF Program objective is Providing Decent Affordable Housing through acquisition, rehabilitation and new construction of rental units and homeownership opportunities. The HTF Program outcome is Affordability.

Maximum per-unit development subsidy amounts for HTF projects

Pursuant to [24 CFR 93.300\(a\)](#), all HTF grantees must establish maximum limitations on the total amount of HTF funds that the grantee may invest per-unit for development of non-luxury housing. The limits must be “reasonable” and based on actual costs of developing non-luxury housing in any given geographical area. Each grantee must submit maximum per-unit development subsidy amounts and accompanying justification with its HTF Allocation Plan on an annual basis.

Maximum HTF investment. To provide for maximum transparency and consistency in program administration, the Housing Trust Fund Program will use the same standards as published for the HOME Program for Program Year 2016, and outlined as follows:

Due to the discontinuation of the Section 221(d)(3) mortgage insurance program, alternate maximum per-unit subsidy limits must be used for the HOME Program. HUD is required to undertake rulemaking. Until a new rule can be published, HUD published a Notice (CPD-15-003) establishing an interim policy directing PJs to use the Section 234 Condominium Housing basic mortgage limits, for elevator-type projects, as an alternative to the Section 221(d)(3) limits. This interim policy remains in effect until the effective date of the new final rule provisions, amending the existing provisions of 24 CFR 92.250(a).

To ensure consistency with the provisions of section 212(e)(1) of NAHA and [24 CFR 92.250\(a\)](#), the HOME maximum per-unit subsidy limit that HUD can approve for a PJ cannot exceed 240 percent of the Section 234 basic mortgage limit (i.e. 100 percent of the basic mortgage limit plus up to 140 percent in high cost areas). For a PJ whose HCP has been increased above the 240 percent, the CPD Division must cap the HOME per-unit subsidy limit at 240 percent of the Section 234 basic mortgage limit.

Resale and/or Recapture Provisions

The State will not make HTF funds directly available for first-time homebuyers (see program priorities). Any approved project that proposes development of homeownership opportunities will include the current Rhode Island Housing HOME Investments Partnership Program Resale and Recapture Policy (see Appendix B: 2016 Housing Trust Fund Allocation Plan) in the deed restriction that accompanies the income restriction and affordability period required in purchasing the home.

HTF Affordable Homeownership Limits

The State will use HTF funds for homeownership housing and will use the HUD issued limits. According to §93.305 (a)(1), HUD will provide limits for affordable newly constructed housing based on 95 percent of the median purchase price for the area using Federal Housing Administration (FHA) single family mortgage program data for newly constructed housing, with a minimum limit based on 95 percent of the U.S. median purchase price for new construction for nonmetropolitan areas. HUD issued the 2016 Homeownership Value Limits for the HOME and HTF programs effective May 2, 2016. See the Appendix B: 2016 Housing trust Fund Allocation Plan for the HOME and Housing Trust Fund Homeownership Sales Price Limits – FY2016.

Affirmative Marketing

The HTF Program will be administered by Rhode Island Housing in accordance with the requirements of regulations at 24 CFR Part 92.351 and 92.350 with regard to the affirmative marketing requirements and the use of Minority Business Enterprises and Women’s Business Enterprises. Cities and Towns awarded funds as sub-recipients will be obligated to comply with these procedures and will be responsible for enforcing compliance with regard to participants in their programs. Rhode Island Housing will monitor local programs to ensure the implementation of program requirements.

All other agencies funded under the HTF program, except Public Housing Authorities, must agree to comply with the procedures required by the regulations. Owners of properties with 5 or more housing units must take actions to attract eligible persons from all racial, ethnic and gender groups and must comply with the following affirmative marketing procedures. Rhode Island Housing will provide all sub-recipients and grantees with a copy of its written affirmative marketing policy and information with regard to fair housing law.

- All owners must make every effort to reach “those least likely to apply” for housing vacancies. A list of minority media outlets is provided by Rhode Island Housing’s Development Division to owners who also advertise in schools, churches, community centers, and directly to other nonprofit agencies, particularly shelters and transitional housing groups.
- All outreach efforts will be language-appropriate and every effort will be made by agencies to be physically accessible to all groups. All notices, advertisements, and communications shall contain equal housing and handicapped accessibility logos. To solicit applications from those least likely to apply, owners will be required to send a letter to organizations on an outreach list prepared by Rhode Island Housing. The letter shall state the owner’s fair housing policy and encourage minority households to apply. If there is an inadequate response, information about vacancies may be disseminated through radio announcements

or by speaking to community groups. To notify handicapped persons of the availability of units, a letter must be mailed to organizations which serve the handicapped.

Monitoring and Record Keeping:

Upon approval of an application, the applicant shall enter into, execute, deliver and provide Rhode Island Housing with such documents, instruments, and further assurances, as Rhode Island Housing deems necessary to assure compliance with the HUD regulations. The Agreement shall remain in effect for the period of affordability. At a minimum, the Agreement shall contain provisions concerning all items in accordance with the requirements of HUD regulations together with such other requirements as Rhode Island Housing may require. The Agreement will include the method of enforcement of the Agreement by Rhode Island Housing and/or the intended beneficiaries. The Agreement will specify remedies for breach of the provisions of the Agreement.

To insure compliance with the requirements of HUD and Corporation Regulations, Rhode Island Housing will conduct on-site inspections and financial oversight in accordance with §93.404. The Loan Servicing and Asset Management Department will conduct annual file reviews and on-site property inspections. The assigned sends each HTF unit sponsor a request letter for copies of files for the file review and to arrange an appointment to conduct the inspection. If the unit fails on-site inspection, then a discussion with the owner will be conducted to address repairs noted that would be necessary to bring the unit up to the applicable standard, and these deficiencies and corrective actions are included in each year's CAPER. The on-site property inspections measure compliance with state and local building codes, accessibility, disaster mitigation, health and safety, lead-based paint, and all other standards listed under 24 CFR 982.401.

Rhode Island Housing will establish and maintain records to enable HUD to determine whether the grantee has met the requirements of §93.407.

MBE / WBE

Minority Business Enterprise / Women's Business Enterprise: Rhode Island Housing will continue its present efforts to utilize minority and women business enterprises (MBE/WBE). The outreach efforts will be implemented by HTF Program staff with the oversight of the Deputy Director and the Executive Director. All contracts for the procurement of property and services awarded under the HTF Program and all such contracts awarded by state recipients and other entities, funded under the HTF Program shall to the maximum extent possible be awarded to businesses owned by minorities and women.

HTF recipients with projects under construction are required to report annually on all awarded contracts. Information that includes the dollar value of the contract, contractor name, gender, ethnicity and race is maintained in program files.

State Limited Beneficiaries or Preferences

The State will limit beneficiaries and/or give preferences to any segment of the extremely low-income population. The groups listed have also been identified in the action plan:

- Extremely low-income families or individuals experiencing homelessness
- Extremely low-income families or individuals with special needs requiring supportive services, such as disabilities that significantly interfere with their ability to obtain and maintain housing

Refinancing of Existing Debt

The state will not permit the refinancing of existing debt secured by rental housing units that are being rehabilitated with HTF funds.