

State of Rhode Island
National Housing Trust Fund – Allocation Plan

March 20, 2017

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 families and other households in Rhode Island, 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. The remaining balance will be used for rental housing production or rehabilitation.

Income targeting (Per §93.250)

(a) In any fiscal year in which the total amount available for allocation of HTF funds is less than \$1 billion, the grantee (Rhode Island Housing) must use 100 percent of its HTF grant for the benefit of extremely low-income families or families with incomes at or below the poverty line (whichever is greater). In any fiscal year in which the total amount available for allocation of HTF funds is greater than \$1 billion, the grantee must use at least 75 percent of its grant for the benefit of extremely low-income families or families with incomes at or below the poverty line.

(b) Any grant funds not used in accordance with paragraph (a) of this section must be used for the benefit of very-low income families.

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 (page 4). Cities and towns are encouraged to apply to receive funding for projects. Cities and towns will not be awarded grants as subgrantees. A city or town is considered an eligible entity only in situations where it will serve as a recipient, with the size of the award based on an eligible

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

project, not determined by the overall housing needs of the city or town. Rhode Island does not intend to appoint subgrantees for HTF.

In addition, HTF-assisted units shall have rent plus utilities that do not exceed the greater of 30 percent of the federal poverty line or 30 percent of the income of a family whose annual income equals 30 percent of the median income for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit. Each year, HUD publishes the applicable HTF rent limits by area, adjusted for bedroom size. HTF-assisted housing must remain affordable for a long-term affordability period of at least thirty (30) years.

Rhode Island Program Priorities

1) High Priorities:

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

2) Medium Priorities:

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

3) Low Priorities:

- a) Moderate rehabilitation of rental units for 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 family units ;
- b) Funds used to create additional affordable rental 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, 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 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 its 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 recipients in the form of an executed HTF Agreement. Both the application and the HTF Agreement will require recipients to affirmatively certify that housing assisted with HTF funds will comply with the HTF requirements.

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;
- Application contains a description of eligible activities to be conducted with HTF funds and are proposed by an eligible entity meeting all HUD regulations for the HTF program as published in the Federal Register at 24 CFR Part 93.200-93.204;
- 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.
- Project must meet at least one program priority, as described previously in "Rhode Island Program Priorities"
- Project is consistent with the Housing Trust Fund income targeting rule at 93.250, which is provided in its entirety in the Income Targeting section of this Allocation Plan (page 1);

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);	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 scored 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

Rhode Island Housing will require that all recipients retain an architect/engineer 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 National Housing Trust Fund Rehabilitation Standards.

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. 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. The HUD guidance on establishing per-unit limits gives allocating agencies the option of developing and implementing new per-unit subsidy limits or using per-unit limits established for other federal programs. To maintain maximum consistency across programs, and to provide predictability and efficiency in program administration and compliance, the State has adopted the HOME program maximum per-unit development subsidy limits for the Housing Trust Fund program.

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 HTF grantee 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 (high cost percentage exceptions) 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

Rhode Island Housing no longer believes that efforts to provide for homeownership opportunities for extremely low-income households are a responsible option for potential homebuyers. The State will not make HTF funds directly available for first-time homebuyers (see program priorities), thus,

the State of Rhode Island Housing Trust Fund program will not fund projects for the development of homeownership opportunities.

HTF Affordable Homeownership Limits

HTF Affordable Homeownership Limits are not applicable. The State of Rhode Island Housing Trust Fund program will not fund projects for the development of homeownership opportunities.

Affirmative Marketing

The HTF Program will be administered by Rhode Island Housing in accordance with the requirements of regulations at 24 CFR Part 93.350 with regards to the affirmative marketing requirements and the use of Minority Business Enterprises and Women's Business Enterprises. Cities and Towns awarded funds as recipients will be obligated to comply with these procedures and will be responsible for enforcing compliance with regards 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 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 /recipients with a copy of its written affirmative marketing policy and information with regards 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 recipient 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 §93.301(e).

Rhode Island Housing will establish and maintain records to enable HUD to determine whether it 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 recipients, 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.