

# **Ohio Neighborhood Stabilization Program Action Plan**

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## **Draft Amendment**

## Background

As required by the U.S. Department of Housing and Urban Development (HUD), the State of Ohio Department of Development (ODOD) submitted a Neighborhood Stabilization Program (NSP) Action Plan to HUD on December 1, 2008. Subsequently, ODOD determined that the plan must be amended to enable Ohio NSP award recipients to fully implement certain eligible NSP activities in accordance with HUD regulations. Except for the proposed revisions described below in the section "Proposed Amendments to the Ohio NSP Action Plan," all other language and requirements in the Ohio NSP Action Plan remain unchanged.

Written comments regarding the amendments will be accepted during a 15-day comment period, March 2-16, 2009, and must be delivered to Michael A. Hiler, Ohio Department of Development, Office of Housing and Community Partnerships (OHCP), 77 South High Street, 24<sup>th</sup> Floor, P.O. Box 1001, Columbus, Ohio 43216-1001 or faxed to (614) 752-4575. Mailed comments must be postmarked no later than March 16, 2009. Copies of the amendment can also be obtained from OHCP at the address listed above or by calling (614) 466-2285.

## Proposed Amendments to the Ohio NSP Action Plan

### ***DEFINITIONS AND DESCRIPTIONS***

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Two sections included in part *C. Definitions and Descriptions* of the plan -- **2. Affordable Rents** and **3. Continued Affordability** -- addressed only the "Affordable Rental Housing Initiative" activity. The following language (in underlined, bold and italicized print) is proposed to clarify the different requirements applicable to the "Residential Development" activity and the "Affordable Rental Housing Initiative" for **2. Affordable Rents** and **3. Continued Affordability**.

#### 2. Affordable Rents

##### ***Residential Development:***

***For rental units developed under the residential development activity, the units must be rented to households with incomes at or below 120 percent of the area median income adjusted for family size and county. The rents cannot exceed the HUD Fair Market Rents for the period of affordability. Rents and incomes must be verified annually during the period of affordability.***

##### ***Affordable Rental Housing Initiative:***

NSP-assisted rental units must be affordable to households with incomes at or below 50 percent of the area median income, adjusted for family size and county. Owners must calculate affordable rents using the definition of affordable rents for the Low-Income Housing Tax Credit (LIHTC) Program (Section 42(g) of the Internal Revenue Code).

#### 3. Continued Affordability

##### ***Residential Development:***

ODOD will enforce the minimum continued affordability requirements defined by the HOME Investment Partnerships Program final rule (24 CFR 92.252 and 92.254) for the Ohio NSP-funded residential development projects.

##### ***Affordable Rental Housing Initiative:***

Projects receiving rental assistance will have a 30-year affordability period. An exception will be provided for projects involving the sale of the units to eligible residents after the 15<sup>th</sup> year in the compliance period. Rent and income restrictions will be enforced through a restrictive covenant land use agreement. Existing procedures in place for the LIHTC Program and Housing Development Assistance Program (HDAP) to monitor compliance with the restrictions will be implemented, including annual certification reports from the owners and routine, on-site file and physical inspections by qualified staff.

## ***ACQUISITION AND RELOCATION***

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In addition, ODOD is proposing modifications to ***E. Acquisition and Relocation*** (see proposed language below in underlined, bold and italicized print).

ODOD will mitigate the loss of low- and moderate-income housing units demolished, rehabilitated or converted with Ohio NSP funds by requiring housing units to be vacant at least 90 days prior to the ***acquisition of a unit (except in the case of foreclosure) for the purpose of*** demolition, rehabilitation or conversion. In addition, Ohio NSP award recipients may only acquire property through voluntary acquisition, in which case a voluntary acquisition form must be signed by the seller indicating that the property was offered for sale willingly, the transition did not involve the use of eminent domain, and the property's value was properly appraised.

## ***NSP INFORMATION BY ACTIVITY – RESIDENTIAL DEVELOPMENT – 4. ACTIVITY DESCRIPTION***

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Revisions to ***G. NSP Information by Activity -- Residential Development – 4. Activity Description*** are proposed to clearly indicate that rental housing is an eligible use of NSP-assisted properties (see proposed language below in underlined, bold and italicized print).

### 4. Activity Description:

This activity will provide homeownership ***or rental*** opportunities to households with incomes at or below 120 percent of the area median income (also see the discussion of needs in 5 below); and the improvement and reuse of vacant and abandoned properties. ODOD anticipates that approximately 20 percent of its allocation will be spent to purchase and rehabilitate abandoned and foreclosed residential properties for ***rent or*** resale. This activity may include:

- acquisition/rehabilitation/***rental or*** resale, where the property is purchased by the program administrator (e.g., a nonprofit organization or other entity administering the grant for the community), rehabilitated to meet the program standards and ***rented or*** resold to an income eligible household;
- direct purchase by an income eligible household, with NSP assistance (following an inspection of the property), which is then rehabilitated, as necessary, to meet the appropriate rehabilitation standards; or
- demolition of a blighted house, with a new house built on the site and ***rented or*** sold to an income qualified household.

In every case, a vacant and abandoned property is purchased, and the final outcome is homeownership ~~by~~ ***or rental opportunities for an*** income eligible household~~s~~.

Adding a heading to ***G. NSP Information by Activity -- Residential Development – 4. Activity Description***, pertaining to the finance mechanism for homebuyers, is proposed to differentiate the requirements from other residential development activity requirements (see proposed language below in underlined, bold and italicized print).

### ***Homeownership Specific Requirements:***

The finance mechanism for any direct assistance provided to homebuyers will be in the form of zero percent interest loans, which may be deferred and forgiven over time. However, HOME Program affordability regulations must be followed to ensure that all monthly housing expenses associated with the principle, interest, taxes, and insurance (PITI) for an Ohio NSP-assisted house will not exceed 30 percent of the household's monthly income. Each household benefitting from this activity will be required to attend eight hours of homebuyer education.

In addition, revisions to *G. NSP Information by Activity -- Residential Development – 4. Activity Description* are proposed to include the requirements for using NSP funds for transitional housing or shelters:

***Use of NSP funds for transitional housing and/or shelters:***

***On a case-by-case basis, with OHCP approval, NSP funds may be used for the construction of a new facility or rehabilitation of a vacant structure into emergency shelters for the homeless, transitional housing for the homeless, or domestic violence shelters. Emergency shelters and/or transitional housing must meet the OHCP Homeless Assistance Grant Program requirements. Domestic violence shelters must meet Ohio Revised Code (ORC) Section 3113 requirements. Interested applicants must also submit a justification of need for the facility and an explanation for how the facility will cover operating expenses on an on-going basis.***

***NSP INFORMATION BY ACTIVITY – RESIDENTIAL DEVELOPMENT – 11. SPECIFIC ACTIVITY REQUIREMENTS \_\_\_\_\_***

ODOD is also proposing a modification to *G. NSP Information by Activity – Residential Development – 11. Specific Activity Requirements* to clarify that the 15 percent discount rate for residential properties acquired with NSP funds applies only to foreclosed properties (see proposed language below in underlined, bold and italicized print).

11. Specific Activity Requirements:

Discount Rate – There will be a required minimum discount of 15 percent for each residential ***foreclosed*** property purchased with NSP funds.