



February 1, 2011

TO: Office of Housing and Community Partnerships (OHCP) Award Recipients and Their Affiliates

FROM: Michael A. Hiler, Office Chief, OHCP

SUBJECT: *Draft FY 2010 Ohio Consolidated Plan Substantial Amendment* Public Comment Period for the Neighborhood Stabilization Program 3

During the period February 3-18, 2011, the Ohio Department of Development's Office of Housing and Community Partnerships (OHCP) will accept public comments regarding the ***Draft FY 2010 Ohio Consolidated Plan Substantial Amendment*** for the Neighborhood Stabilization Program (NSP) 3. The document is posted on <http://www.development.ohio.gov/community/ohcp/WhatsNew.htm>. Comments must be received by 5 p.m. on February 18, 2011. Comments should be e-mailed to [nsp3@development.ohio.gov](mailto:nsp3@development.ohio.gov) or mailed to: Michael A. Hiler, Office Chief, Ohio Department of Development, Office of Housing and Community Partnerships, 77 South High Street, 24<sup>th</sup> Floor, P.O. Box 1001, Columbus, Ohio 43216-1001.

### Substantial Amendment Summary

As detailed in the ***Draft FY 2010 Ohio Consolidated Plan Substantial Amendment***, OHCP intends to award Ohio's NSP 3 allocation to the Ohio Housing Finance Agency (OHFA) for distribution through the Affordable Rental Housing Initiative. Eligible applicants will be for-profit development entities, nonprofit organizations and public housing authorities interested in redeveloping demolished, foreclosed or vacant residential property located in one of 754 eligible Census tracts into affordable rental housing for households with incomes at or below 50 percent of the area median income.

### Justification for Proposed Funding Distribution Methodology

OHCP considered the following factors when considering potential funding distribution methodologies:

1. *The U.S. Department of Housing and Urban Development's (HUD's) Preference and Ohio's Needs*

HUD's NSP 3 funding allocation notice and subsequently released program instructions clearly indicate the agency's preference that award recipients expend NSP 3 funds to develop affordable rental housing, especially rental housing targeted to households with incomes at or below 50 percent of the area median income (AMI). In fact, the NSP 3 rules state that at least 25 percent of the NSP 3 funding allocation must be allocated to housing for individuals and families with incomes at or below 50 percent of the AMI. In addition, the Ohio Consolidated Plan indicates rental housing for households with incomes at or below 50 percent of the AMI as Ohio's top priority for rental housing across the state.

2. *Input from OHCP's Award Recipients and Their Affiliates*

Upon notification of receiving an NSP 3 award, OHCP began informally polling OHCP's award recipients and their affiliates to receive input regarding the best way to allocate the funds. Several interested parties indicated that there is a strong need for rental housing, targeted to households with incomes at or below 50 percent of the area median income, across Ohio. On November 22, 2010, OHCP distributed a memorandum to OHCP award recipients and their affiliates requesting additional input regarding the allocation of the Ohio NSP 3 funds. The deadline for commenting was December 15, 2010. Several commenters indicated the need for additional rental housing in Ohio.

3. *Local Administrative Capacity Due to Influx of NSP 1 and 2 Funds*

Due to the influx of NSP 1 (\$116.8 million) and NSP 2 (\$25.4 million) funds, Ohio's local housing administrators are quickly reaching the boundaries of their administrative capacity. However, it is imperative that the Ohio NSP 3 funds be expended appropriately (in areas of greatest need to stabilize neighborhoods) and quickly (two years to expend 50 percent of the funds and three years to expend 100 percent of the funds), as HUD and other monitoring agencies plan to carefully scrutinize the expenditure of NSP 3 funds throughout the program period and beyond.

4. *Eligible Census Tracts*

According to HUD, the minimum needs score in Ohio is "17" and, of the 2,941 Census tracts in Ohio, 1,057 Census tracts scored 17 or higher. The 1,057 Census tracts are located in 77 Ohio counties. The needs score is based on the number and percentage of:

- home foreclosures in each state or unit of general local government;
- homes financed by a subprime mortgage related loan in each state or unit of general local government; and
- homes in default or delinquency in each state or unit of general local government.

To target the limited funds to the neediest areas, OHCP identified the 754 Census tracts in Ohio scoring an "18" or higher as the neediest areas in Ohio.

5. *Affordable Rental Housing Initiative Success*

In 2009, OHCP awarded OHFA \$29,864,900 of NSP 1 funds for distribution through the Affordable Rental Housing Initiative. Due to the successfulness of the program, OHCP subsequently awarded OHFA an additional \$980,000 of recaptured NSP 1 funds for distribution through the initiative. As a result of the initiative, OHFA awarded more than \$30.1 million of NSP 1 funds to nine eligible applicants to improve 271 rental housing units targeted to households with incomes at or below 50 percent of the AMI (see Attachment 5). The Affordable Rental Housing Initiative funds were awarded in conjunction with Low-Income Housing Tax Credit, Housing Development Gap Financing and Housing Development Loan and Multifamily Housing Bond Program funds.

6. *Number of Projects that May Be Reasonably Assisted with the Limited Grant Funds*

With an allocation of approximately \$11.5 million, OHCP and OHFA anticipate that at least five Affordable Rental Housing Initiative projects, consisting of 150 rental units, will be assisted with Ohio NSP 3 funds.

## **Background**

On September 8, 2010, HUD announced the allocation of \$1 billion of NSP 3 funds. The State of Ohio received an \$11,795,818 allocation. The funds were provided as the result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. In addition, 18 other Ohio counties and cities received NSP 3 funding totaling \$39,993,217. The NSP 3 funds were allocated to stabilize neighborhoods damaged by the economic effects of properties that have been foreclosed upon and abandoned.

In October 2010, HUD issued the **NSP 3 Federal Register Notice**, which includes the NSP 3 allocation method, waivers granted, alternative requirements applied and statutory program requirements, including the requirement that states must submit an **FY 2010 Ohio Consolidated Plan Substantial Amendment** after a 15-day comment period and before March 1, 2011 to receive the NSP 3 allocation.

## **Questions**

Questions regarding the **Draft FY 2010 Ohio Consolidated Plan Substantial Amendment** should be directed to me by telephone at (614) 466-2285 or by e-mail at [Michael.Hiler@development.ohio.gov](mailto:Michael.Hiler@development.ohio.gov).