

## NSP Affordable Rental Housing Initiative (ARHI)

### Program Guidance Notice – 3-4-09

#### 1. Building or Land Eligibility

In order to be eligible for the NSP-ARHI funds, a building must meet the following tests:

- a. The building or land must be located in a targeted area of highest need as designated by the Ohio Department of Development or by a local NSP recipient.
- b. The building or land must meet the definition of “abandoned” or “foreclosed” as defined in the Federal Register (October 6, 2008). The definitions are as follows:

**Abandoned.** A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

*Note: A building or land therefore must meet three tests to be considered abandoned:*  
*1. Foreclosure proceedings initiated; 2. No mortgage or tax payments for at least 90 days; 3. Vacant at least 90 days.*

**Foreclosed.** A property “has been foreclosed upon” at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

Applicants are required to submit documentation that will demonstrate that the buildings or land meet one of these two definitions.

- c. All units in a rehabilitated or new buildings must be have rents affordable to and occupied by households with incomes at or below 50% AMGI (or 30% AMGI if the lower election is selected by the applicant).
- d. The building to be rehabilitated must be a home or residential property or for vacant land, the demolished structures must have been homes or residential property . The following is additional guidance provided in the HUD document, “NEIGHBORHOOD STABILIZATION PROGRAM - Explanation of Property Types under Each Eligible Use”:

HUD interprets “homes” as any type of permanent residential dwelling unit, including detached single family structures, townhouses, condominium units, multifamily rental apartments (covering the entire property), and manufactured homes where treated under state law as real estate (not as personal property).

“Residential properties” includes all of the above plus vacant land that is currently designated for residential use, e.g. through zoning.

## 2. Purchase Price Discount Rule Exception

If the NSP funds are not used for the acquisition costs for eligible buildings, then the “15% purchase price discount” rule does not apply.

## 3. Scattered Site Development and Proration of Funds

The Ohio Housing Finance Agency (OHFA) defines scattered site projects as the following: A project qualifies as scattered-site if there are 10 or more sites AND no more than 50% of the sites are contiguous. Contiguous sites are defined as two or more sites that share common boundaries, and cannot be separated by vacant or developed land, roadways, railroad tracks, rivers, creeks, etc.

If an applicant is proposing a scattered site development to be financed with NSP-ARHI funds and one or more of the buildings (or land) in the project do not meet the eligibility requirements, the applicant may still use NSP funds provided the funds are not used to reimburse any of the costs attributed to the ineligible buildings. The 50% AMGI (or 30% AMGI) rent and income restrictions only apply to the eligible buildings. However, all cross-cutting federal requirements, such as wage rates and environment review, apply to all buildings and land in the project.

*Note: Applicants must structure the projects and/or subsidy request in order not to exceed maximum of \$50,000 of NSP funds per eligible unit.*

Refer to the following example of a qualifying project:

### Sample Project:

- 50 scattered site homes (only 20 homes meet eligibility requirements)
  - A limited partnership owns all 50 homes just like in a typical LIHTC deal
- Total Cost (all homes): \$7 million
  - Cost for the 20 eligible homes is \$2 million (\$500,000 is acquisition)
- Sources:
  - NSP = \$1,000,000 (used only for rehab costs for eligible buildings)
  - Housing Tax Credit equity = \$4,000,000
  - Bank (or other) = \$2,000,000

Only 20 units are restricted at 50% AMGI or below. A limited partnership owns all homes just like a typical LIHTC deal. The amount of NSP requested meets the \$1 million project maximum and \$50,000 per unit maximum limit. The "15% purchase price discount" would not apply since

NSP funds would not be used for acquisition costs. All cross cutting federal requirements like ER, Davis Bacon, etc. apply to the entire project.

#### 4. Wage Rates

The NSP funds require the use of Davis-Bacon wage rates. Applicants must demonstrate that these wage rates have been factored into project budget.

#### 5. Local Match Requirement

If a community (direct NSP grant recipients only) is unable to provide the required \$250,000 in NSP funds to a project, OHFA will consider other forms of cash match, such as HOME, local trust funds, etc.

#### 6. Program Income

The American Recovery and Reinvestment Act of 2009 repealed the program income requirements for the NSP program. Instead the program income requirements for the CDBG program will apply. OHFA will post further guidance regarding program income on its website.

#### 7. Projects with No OHFA Funding

Applicants proposing projects that will not utilize any OHFA funding programs may still apply for the NSP-ARHI funds. These projects must meet the requirements of the 2009 Housing Development Gap Financing Program. OHFA will begin accepting applications on March 1, 2009; however, applicants are required to set-up a meeting to discuss their proposal with OHFA staff in advance of their submission. Please contact Karen Banyai at 614-466-0400 to obtain application information and to arrange a meeting.

#### 8. Projects Under Development and Funded by OHFA in 2007 or 2008

OHFA will consider requests for NSP funds for projects that received an allocation of Housing Tax Credits. Owners will be required to demonstrate the need for funds, the eligibility of the buildings and/or land, and the ability to comply with all NSP-ARHI requirements. All funding must be approved by the OHFA Board. Application procedures will be posted on the OHFA website.