

# Issue Brief



## Neighborhood Opportunities Program Helping Low-Income Rhode Island Families Afford a Quality Home

Rising unemployment, stagnant or falling incomes, and the high number of foreclosures continue to have a significant impact on families and individuals in the Ocean State. Combined, these factors highlight the importance of creating and making available a full continuum of affordable housing choices as part of the state's economic strategy and safety net. This *Issue Brief* highlights the success of the Neighborhood Opportunities Program which for the last decade has provided quality affordable homes to some of the low-wage workers who are a vital part of Rhode Island's economy.

### What is the Neighborhood Opportunities Program?

Established in 2001, the Neighborhood Opportunities Program (NOP) is a unique state-funded program that subsidizes the cost of affordable rental homes in Rhode Island.

NOP was the first state-funded program for affordable homes in Rhode Island. The white-hot housing market during the last decade and resulting steady increase in homelessness brought new attention to the issue of housing affordability for Rhode Island's low-wage families and those with disabilities. The General Assembly authorized \$5 million in initial funding for NOP during the 2001 legislative session. NOP funding remained level until FY2006 when state funding increased to \$7.5 million. By FY2008, NOP funding had been reduced to \$2.5 million and remained at that level in FY2009 and FY2010.



NOP funded family housing, Providence

## How Does NOP Work?

Before the implementation of NOP, most grants for affordable housing in Rhode Island funded development costs only—that is, the cost of constructing new affordable housing units. These development grants filled an important role as they allowed rents to be set below market value, so that working families earning up to 60 percent of Rhode Island’s median household income could afford to live in the resulting units.

But, taken alone, these development grants were not enough to allow building owners to set rents at levels affordable to low-wage families or those with disabilities, who earn less than 40 percent (\$22,280) of the median household income in Rhode Island. Meaning, a worker earning the minimum wage, could still not afford the cost to rent or own these homes even when at below market value. As a result, many of these low-wage Rhode Islanders were forced into an untenable choice, between paying for their home and other necessities like food and medicine.

Federal guidelines state that households should spend less than 30 percent of their income on housing expenses. Individuals earning minimum wage or Supplementary Security Income (SSI) are often unable to afford market-rate rents. **NOP adopted an innovative approach by providing funds to cover the difference between the rental cost affordable to very low-wage Rhode Islanders and**

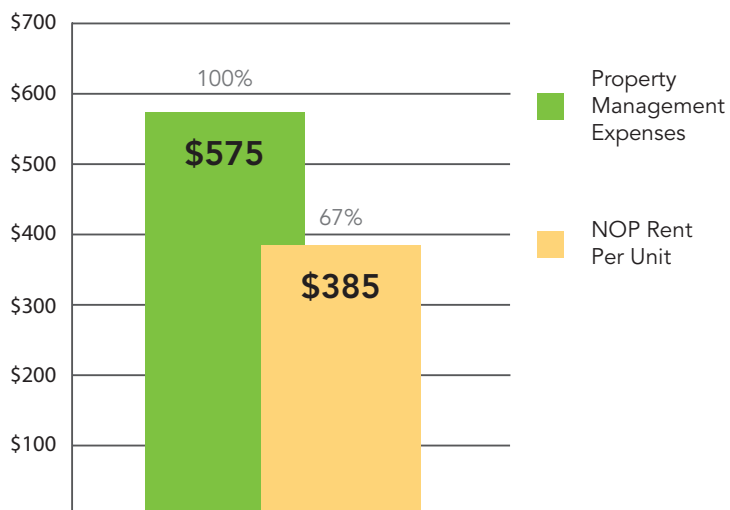
**the cost to owners of operating the rental unit.** As seen in the charts below, NOP funding allows rents to be set at a level that is both affordable for renters and sustainable for owners—many of which are nonprofit agencies. Prior to 2007, NOP helped build homes as well as keep rents low by providing gap funding for operating costs. As of 2008, NOP funds could only be used for operating costs of the apartments.

NOP funding is awarded by the State’s Housing Resources Commission through a competitive process. The program is administered by Rhode Island Housing. Once selected, owners submit receipts for the operating costs of each NOP approved unit. After receipts are verified, NOP reimburses the owner for the gap in funding of such costs as utilities, general maintenance, and case management services. Every development has different budgetary needs; but without the gap funding NOP provides, homes would not be able to be offered at a rate affordable to low-wage Rhode Islanders.

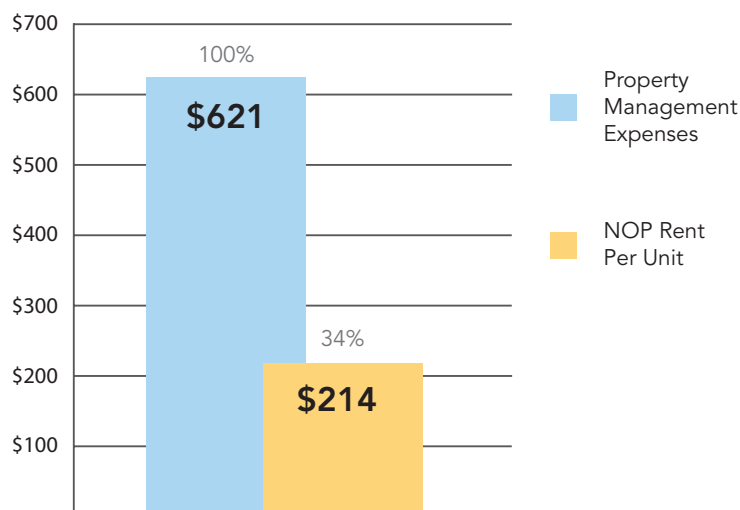
## Why NOP Matters

Over the past decade, NOP has provided a home to thousands of individuals who would otherwise be homeless. NOP has played an instrumental role in growing the stock of affordable housing for those at the lowest end of the income ladder—those whom other housing subsidies failed to reach. Since its inception, NOP has created 1,188 affordable homes in 173 developments throughout 28 communities in Rhode Island.

**Apartments for Low-income Families**  
NOP Rent vs. Monthly Operating Costs\*



**Permanent Supportive Homes for People with Disabilities**  
NOP Rent vs. Monthly Operating Costs\*



\* Typical property operating costs. (Every development has different budgetary needs, but without the gap funding NOP provides, homes would not be able to be offered at a rate affordable to low-wage Rhode Islanders.)

In addition, because NOP's financing approach guarantees stable income over a number of years, its funding for operating costs has helped many developments leverage private dollars and earn tax credits. **NOP has contributed \$44 million in gap funding for the development and operation of 1,188 units. This investment has leveraged \$418 million—almost \$10 for every dollar invested by the State.<sup>1</sup>**

The economic recession with resulting job losses and decreased wages have led to an even more increased demand in shelters for families and individuals who are homeless. According to Rhode Island's Homeless Management Information System (HMIS) data, in 2009, a monthly average of 1,107 people used Rhode Island's emergency shelter and transitional housing system. Almost one third of these were children.<sup>2</sup>

The Governor's proposed FY2011 state budget provided no funding for NOP; but legislation has been introduced to restore funding to the program (H-7730†). A fully funded NOP would provide a needed, strategic stimulus to the hard-hit homebuilding industry in our state. Construction and real estate industries have consistently accounted for about one fifth of Rhode Island's Gross Domestic Product; and one in every 10 jobs in the Ocean State are in the construction and real estate industry.<sup>3</sup>

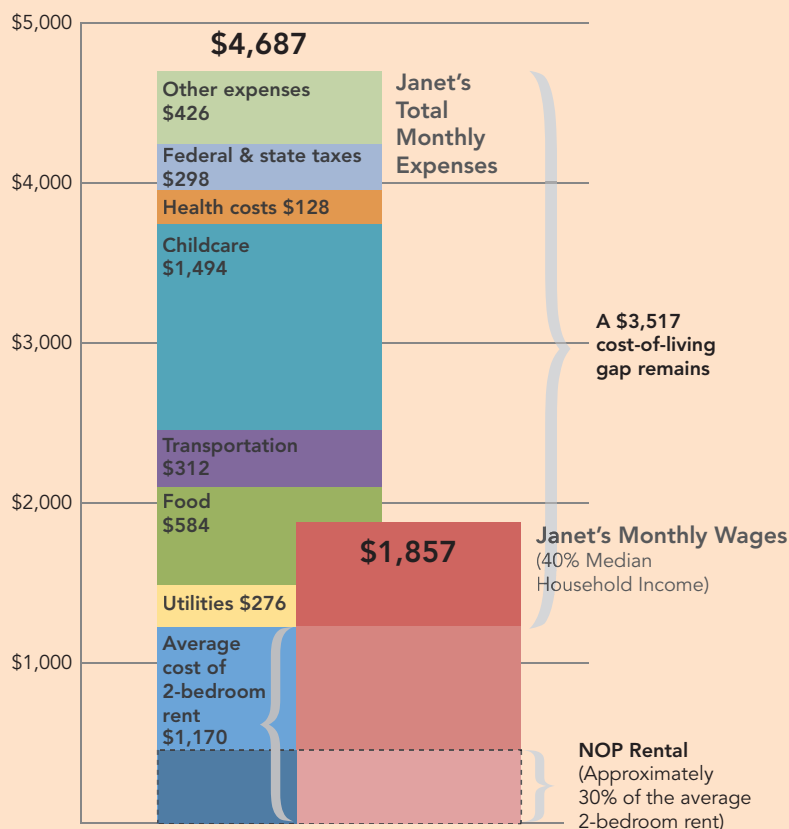
Furthermore, NOP is a vital component of the continuum of affordable housing needed in Rhode Island. It is one of only two state funding streams for affordable housing in the Ocean State (Building Homes Rhode Island being the other), and the only state funding for low-wage Rhode Islanders. More and more families are facing difficult economic times, either through unemployment or by seeing their hours or wages cut. NOP is essential in keeping these families out of homelessness by providing safe, affordable homes in our state.

† Introduced in February 2010 by Representatives Pacheco, Almeida, Kennedy, Slater, and Williams

## Cost of Renting in Rhode Island Janet's Household Budget\*

In 2008 there were more than 50,000 households in Rhode Island with incomes below the poverty level (13% of Rhode Island households).<sup>4</sup> At the current level of funding, NOP is helping 1,188 of these families make ends meet. Without the gap funding NOP provides for rental properties, many of the minimum-wage workers our economy depends on would not be able to afford to rent a home in Rhode Island.

Janet is a home health aide, one of the top five fastest growing occupations in Rhode Island. She has two children ages two and seven. Janet earns \$22,280 a year. As seen in the household budget graph below, even with the assistance NOP provides, Janet faces a dramatic monthly cost-of-living deficit each month. A NOP funded apartment allows Janet to provide a safe, quality home for her family. Indeed, NOP is vital to ensuring quality affordable homes for low-wage families like hers.



\*For data sources and methodology, turn to page 4





NOP funded family housing,  
Lincoln



NOP funded family housing,  
Newport



NOP funded family housing,  
Cumberland



NOP funded family housing,  
Providence

## References & Methodology

<sup>1</sup> Rhode Island Housing

<sup>2</sup> Rhode Island Homeless Management Information System, unduplicated count of people using the emergency shelter and transitional housing system in the state, July-December 2009

<sup>3</sup> Bureau of Economic Analysis

<sup>4</sup> U.S. Census Bureau, 2008 American Community Survey

### Household budget

**Other expenses:** Estimated as 10 percent of all other expenses, following recommendation from The Poverty Institute.

**Federal and state taxes:** Estimated using federal and state 2009 tax tables.

**Health costs:** Bureau of Labor Statistics, 2008 Consumer Expenditure Survey using the average costs for a family of three.

**Childcare:** Rhode Island Department of Human Services, and Rhode Island Department of Labor & Training, 2006 Child Care Market Rate Survey using the 75th percentile cost of all-provider-based care for toddler and school-age child (before and after school time).

**Transportation:** Bureau of Labor Statistics, 2008 Consumer Expenditure Survey using the average costs for a family of three, which includes gas, motor oil, vehicle finance charges, maintenance and repairs, and vehicle insurance.

**Food:** Official USDA Food Plans, U.S. Average, January 2010 (family of three: female, 19-50 age, and children, 2-3 & 6-8 age).

**Utilities:** Bureau of Labor Statistics, 2008 Consumer Expenditure Survey using annual average for a family of three.

**Home rent:** Rhode Island Housing, 2009 average rent of a 2-bedroom apartment in Rhode Island.

**Median Household Income in Rhode Island:** U.S. Census Bureau, 2008 American Community Survey.

[www.HousingWorksRI.org](http://www.HousingWorksRI.org)

One Union Station  
Providence, RI 02903  
phone (401) 274-4564  
fax (401) 272-1359

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