



Preliminary observations
Low and Moderate Income Housing Commission

Secretary Stefan Pryor
March 21, 2023

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Agenda

Increasing housing production

Homelessness

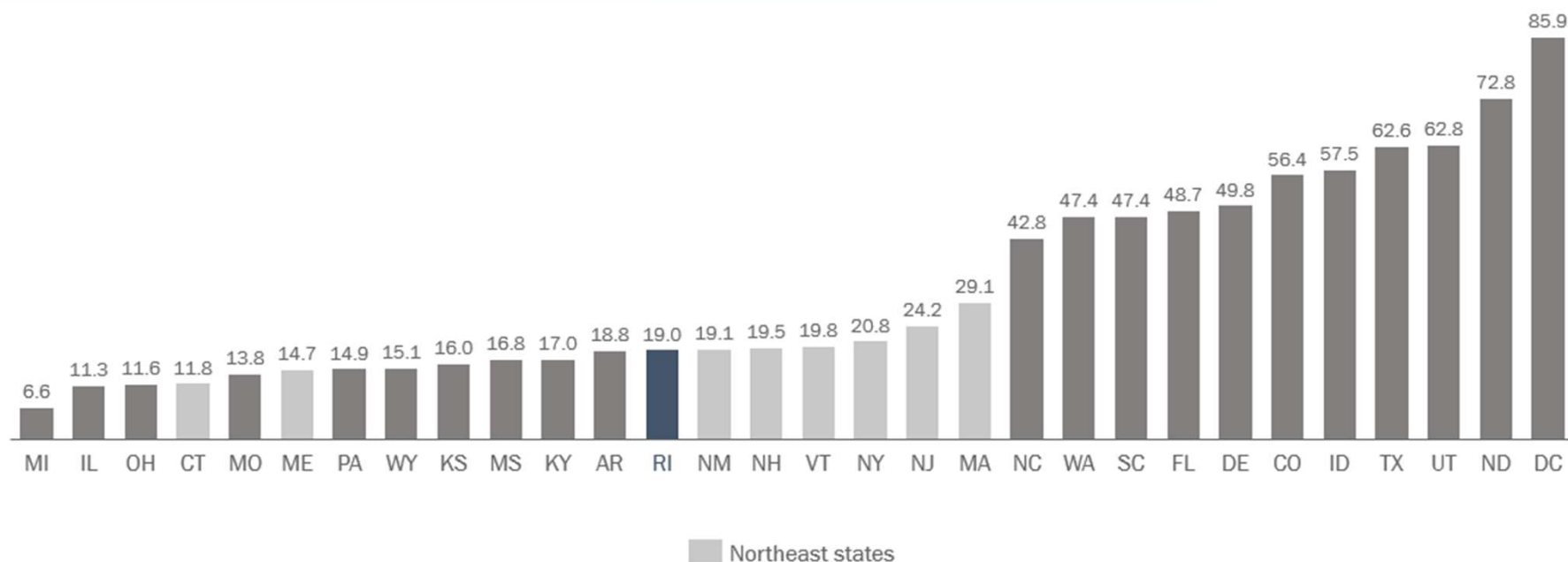
Organizational capacity

Housing production

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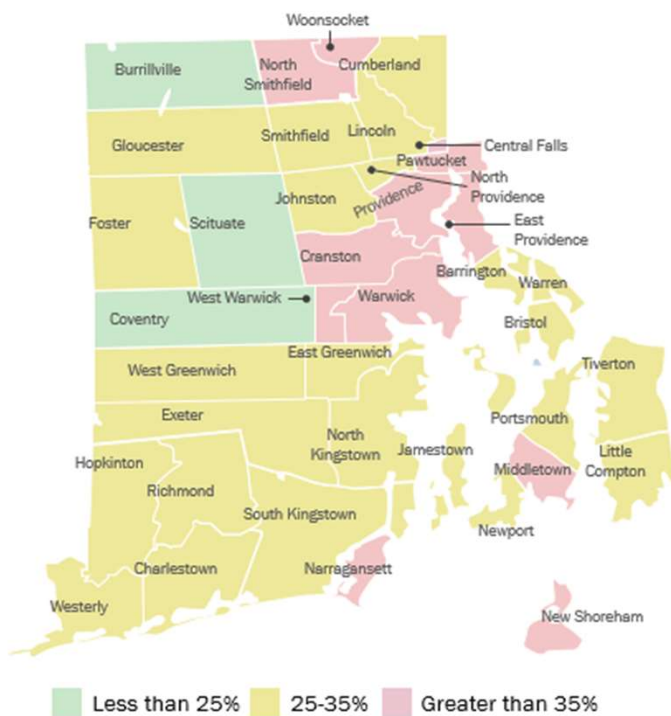
Over the past decade, Rhode Island's annual housing production per 1000 residents has ranked 38th in the nation

Net housing units produced per 1000 residents (2012-2021)



Note: total housing units produced per 1000 residents calculated by finding the difference in total housing units YoY from 2012-2021; data excludes middle 20 states (not including Northeast states): WI, CA, OK, IN, AK, LA, MD, AL, IA, NE, MN, HI, VA, MT, GA, OR, TN, AZ, SD, NV; data also excludes WV, which had the lowest per capita housing production, but functions as an outlier in this data set; Source: U.S. Census Bureau; American Community Survey; Up For Growth

Across the state, 150,000 people are housing cost-burdened

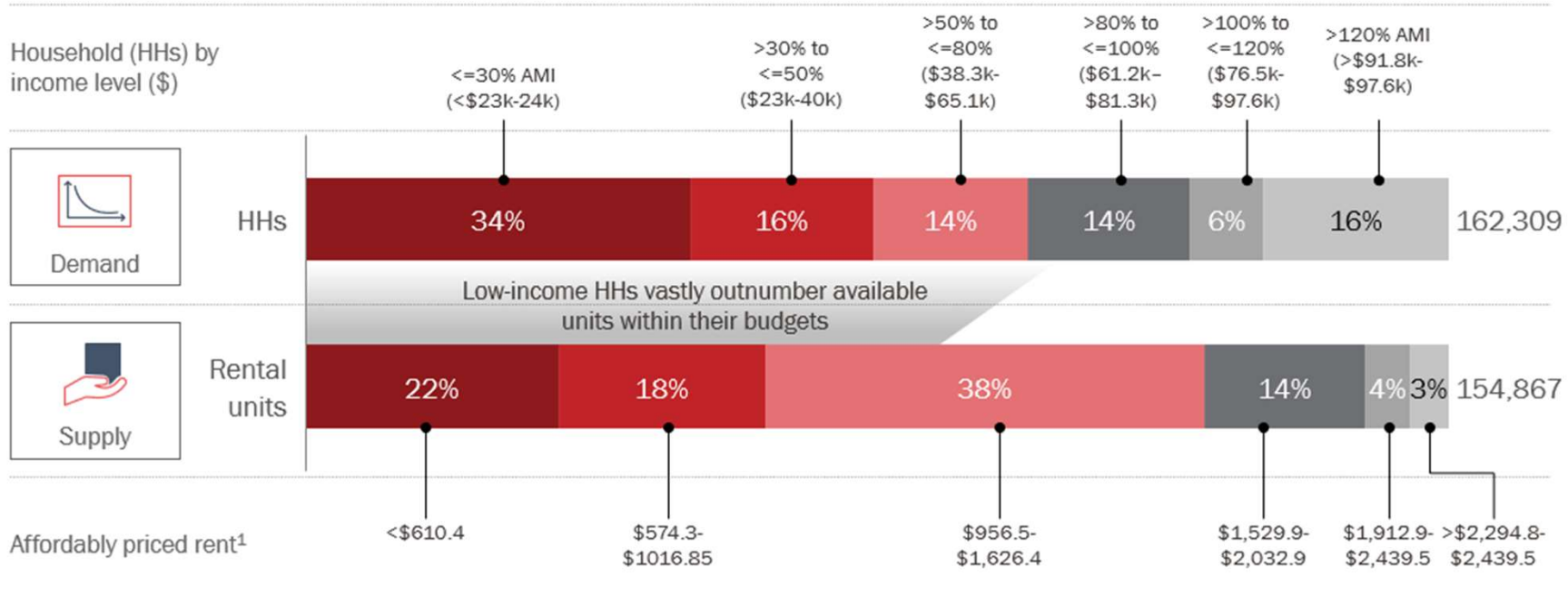


Municipality	Total housing cost-burdened	% housing cost-burdened
Central Falls	3488	50%
New Shoreham	181	45%
Narragansett	2435	42%
Pawtucket	11539	40%
Woonsocket	6406	39%
West Warwick	5264	38%
Warwick	13788	38%
Providence	24093	37%
Cranston	11844	37%
Cranston	11844	37%
Middletown	2541	36%
East Providence	7131	36%
North Smithfield	1797	36%
North Providence	4622	33%
Westerly	3288	32%
Warren	1552	32%
Smithfield	2422	31%
Newport	12358	33%
Bristol	2470	31%
East Greenwich	1544	30%
Jamestown	704	30%

Municipality	Total housing cost-burdened	% housing cost-burdened
Johnston	3319	29%
Barrington	1761	29%
Exeter	648	29%
Tiverton	1885	29%
Hopkinton	903	28%
Foster	392	28%
Cumberland	3721	27%
Lincoln	2250	27%
Little Compton	405	27%
Glocester	953	27%
Charlestown	897	26%
Portsmouth	1965	27%
South Kingstown	2771	27%
West Greenwich	591	26%
North Kingstown	2738	25%
Richmond	730	25%
Scituate	874	21%
Coventry	2880	20%
Burrillville	1138	19%

Rental prices do not match housing need in RI; severe shortage of affordable units for extremely low-income (<30%) households

All figures show 2021 values



1. As measured by monthly home-ownership / rent costs; HUD considers housing to be affordable when a household pays no more than 30% of its income towards rent
 Note: Leverages county level American Community Survey data on household income, average household size, and monthly rent to estimate how many households and affordably priced rental units are at each level of AMI; AMI and affordably priced rent thresholds overlap due to varying household sizes across RI counties; data shows cumulative statewide view; see backup for additional details on methodology
 Source: U.S. Census Bureau; American Community Survey; Department of Housing and Urban Development (HUD)

Key challenges limiting housing production in Rhode Island based on conversations with stakeholders and analysis of housing data

Challenges to housing production	Supporting data	What we've heard from RI stakeholders
Historically, RI has not allocated sufficient funding for housing production	<ul style="list-style-type: none"> Over the past 8 years, RI has the 2nd lowest per capita housing spend in New England 	<p>"We're lagging on state housing spending ... close to 75% of the funding going towards housing production is federal spending"</p> <p>- RI housing expert</p>
RI is underutilizing existing federal financing tools (e.g., private activity bonds, 4% federal tax credits)	<ul style="list-style-type: none"> Since 2014, RI has let >\$380M in private activity bonds expire 	<p>"RI could be doing a way better job of putting private activity bonds and 4% tax credits to use"</p> <p>-Affordable housing developer</p>
Some projects do not make it through the development pipeline to construction	<ul style="list-style-type: none"> Lengthy time for development (anecdotally) 	<p>"Projects are failing because there is no pre-development support"</p> <p>- RI builder</p>
Inconsistent permitting has limited production of new housing units	<ul style="list-style-type: none"> Rhode Island has issued the fewest permits in the US over the past decade RI was the 3rd most highly regulated state in 2018 	<p>"Our single biggest obstacle is RI is dealing with the permitting process"</p> <p>-Affordable housing developer</p>
Aging housing stock contributes to reductions in housing supply	<ul style="list-style-type: none"> RI has the 3rd oldest housing stock in the US; ~75% built before 1980 	<p>"RI housing is the 3rd oldest in the country but unlike MA, RI's housing stock hasn't had much reinvestment over the years"</p> <p>- RI housing expert</p>

Housing production funds will be substantially obligated in this Fiscal Year.

Purpose	Agency	TOTAL	Funds Obligated by June 30 th FY23	Funds remaining for FY24-26 obligation
Development of Affordable Housing	RIHousing	\$90M	\$65M	\$25M
Middle Income Housing	RIHousing	\$20M	\$20M	-
Site Acquisition	RIHousing	\$25M	\$15M	\$10M
Affordable Housing Predevelopment Program	RIHousing	\$10M	\$2.5M	\$7.5M
TOTAL		\$145M	\$102.5M	\$42.5M

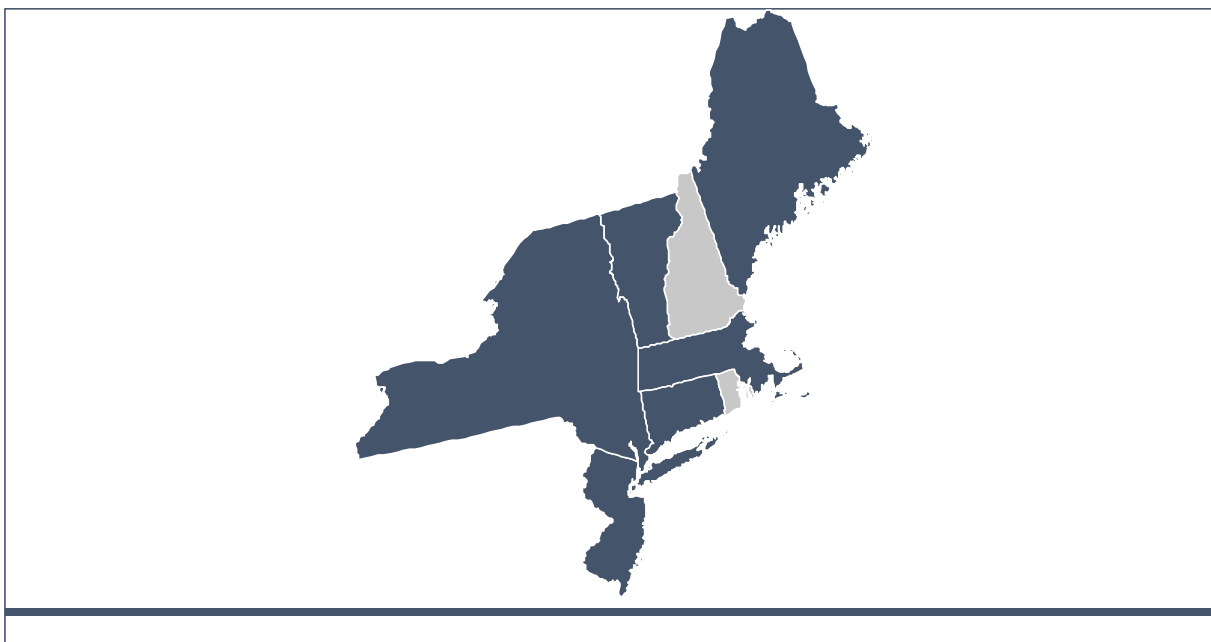
Thank you to RI Housing for providing this work-in-progress data

Researching wide range of potential investments to increase housing supply

Policy	Detail
State level Low-Income Housing Tax Credit (LIHTC)	Provide new state tax credit to developers for acquisition, rehabilitation, and development of affordable housing to match federal LIHTC program (e.g., 26 of 50 states and the District of Columbia have enacted a state LIHTC program).
Tax stabilization incentives (TSIs)	Encourage co-investment by towns and the state via reimbursement for a portion of the taxes foregone with TSA's
Land-acquisition loan program	Provide low-interest loans to help developers (that meet certain affordability criteria) purchase land
Municipal fellows program & technical assistance	Help to create capacity at the local level and share in staffing costs with applicant municipalities
Municipal infrastructure investments	Provide funding matches for municipalities investing in local infrastructure linked to new housing development
Revolving fund to support preservation	Financing to prevent deed-restricted affordable units from going into foreclosure

Both of our neighboring states (and 6 of 8 Northeast states) have enacted a state LIHTC program

Map of Northeast states with state-level LIHTC programs



Rhode Island and New Hampshire are the only Northeast states without a state LIHTC program

State LIHTC programs mirror the federal LIHTC program and offer state-funded tax credits to developers of affordable housing

■ No state LIHTC program ■ State LIHTC program enacted

Research on peer jurisdictions has helped surface potential policy options that have been successful elsewhere



Montgomery County, MD



Massachusetts



Georgia

Description of policies

- Montgomery is a national leader in affordable housing development via its Housing Opportunities Commission (HOC)
- The HOC functions as a state-operated developer and is authorized to acquire, own, lease, and operate housing
- HOC funds construction or renovation of housing through a revolving investment pool, the Housing Production Fund (HPF)

- Housing Choice Initiative offers additional infrastructure funding to communities that hit annual growth targets
- MassDevelopment is a quasi that assists communities with planning and development, including acting as master developer on housing projects
- The Housing Development Incentive Program (HDIP) provides tax-incentives to lower-income municipalities to develop market-rate housing

- Launched a state LIHTC program in 2001, allocating \$22M in annual funding via a 1:1 match with the federal LIHTC program
- Created predictable and transparent housing financing processes that make it attractive for developers
- Deployed a rental assistance / Housing Choice Voucher program and a down payment assistance / mortgage financing program to preserve access to affordable housing

Impact

- HOC financed over 3,400 privately-owned multi-family units and has increase housing cost stability in Montgomery County

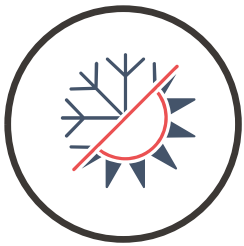
- HCI set a goal of producing 135k units of housing (15k affordable) over 9 years, currently on track

- LIHTC has created >93k units of affordable housing; every \$1 in income tax lost has created \$5.79 of economic activity resulting in >\$12B of total value generated to date

Homelessness

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We are working on short-term stop gap options and pursuing several key objectives



Devote special focus to highest-need individuals at facilities that are transitioning



Mitigate declines in options for residents



Continue improving ability to divert and make placements out of shelter



Invest in permanent capacity

The Department of Housing and other key partners are taking action to develop solutions



Compiling and vetting state-and privately-owned properties, with an eye toward immediate options as well as longer-term, permanent supportive housing



Stood up multi-agency response, including DBR, DCAMM, BHDDH, RI Housing, EOHHS, RI National Guard, RI Emergency Management, among others



Engaging existing service providers across emergency shelter system



Actively working within Department of Housing and other agencies to identify funding to support additional spaces



Convening multi-agency and multi-provider “case conferencing” effort to place residents, starting with those with the highest needs, in alternative locations

Progress made to date

- ✓ Funded new centers in Pawtucket and Newport
- ✓ Dozens of potential site locations identified and in the process of being screened
- ✓ Issued call for Letters of Intent to identify additional service providers and space options
- ✓ Additional beds slated to come online, including through Emmanuel House Shelter in Providence
- ✓ Received pre-authorization from State Properties Committee for site candidates
- ✓ Conversations with vendors of multiple temporary structures including pallet shelter and other options

In parallel, we are exploring homelessness prevention strategies

Expansion of legal services for tenants

Strengthening of measures to prevent landlord discrimination based upon source of income

Collaboration with local health institutions and providers

Provision of additional flexible funding for diversion, problem-solving, and emergency financial assistance

Organizational capacity

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Preliminary observations on organizational capacity

Coordination challenges and missing key functions

- There is not sufficient proactive development function which ensures a pipeline of projects that are well aligned to policy priorities
- Municipalities would benefit from further support in order to address their housing challenges
- There is an opportunity to fill gaps in developer financing
- The Department of Housing has limited formal or informal structures to coordinate housing/homelessness programs managed by other state agencies
- Opportunity to boost policy, planning & strategy functions to inform long-term planning and coordination.
- Opportunity to position the HRC in a way that gives stakeholders voice in the process
- EOHHS and Continuum of Care coordination is essential

The Department of Housing has fewer FTEs per capita than peer departments in the Northeast

- Particularly within the homelessness and housing development functions
- See next slide

Compared to peer departments in the Northeast, current RI Department of Housing has fewer FTEs

	Housing Department	Population (M)	Housing FTE	FTE per 1M population
New York	Division of Housing and Community Renewal	19.8	625	31.5
Massachusetts	Department of Housing and Community Development	7.0	344	49.3
Connecticut	Department of Housing	3.6	84	23.3
Rhode Island	Department of Housing	1.1	18	16.4
Vermont	Department of Housing and Community Development	0.6	43	66.6

Sources: NYS 2024 Financial Plan, Mass.gov EOHEd FY23 Budget, Mass.gov open payroll, CT.gov Fy 22-23 Governor's Budget, Rilegislature.gov, RI Operating Budget 2023, Vermont.gov Budget book FY 23, ACS Census 2021, See Through NY payroll, BCG Calculations Note: VT's Division for Historic Preservation is within the Division of Homes and Community Development, however it has limited housing related functions

Compared to MA, RI has less staff overall, with significant gaps in housing production and homelessness

	Massachusetts ¹			Rhode Island		
	FTEs	FTEs per 1M population		FTEs	FTEs per 1M population	
Homelessness	85	12.1	●	2	1.8	●
Housing Production /Preservation	120	17.1	●	0	0.0	●
Affordability/Community Development	35	5.0	●	6	5.5	●
Policy/Research	4	0.6	●	2	1.8	●
Admin/Upper leadership	10	1.4	●	2	1.8	●
Legal/IT/HR/Finance/ Other	60	8.6	●	5	4.5	●
Total FTEs	344	49.1		18	16.4	

MA has an HFA and several quasi-government agencies that work on housing production, in addition to the state staff summarized here

Divisions such as admin, legal, IT, HR, and finance may lack economies of scale, suggesting RI may require a larger number of FTEs

Note: The scaled calculation was done through the following process: A per capita number was calculated for each unit (e.g., for Homelessness, 13, was divided by the population of CT). The scaled number of employees for the corresponding RI division was calculated by multiplying the "division-specific per capita number" by RI's population
Sources: CT Org Chart, Expert interviews

Three capabilities with room for improvement

Based on conversations with stakeholders and benchmarking of other states



Housing development (e.g., housing finance, pre-development planning, real estate deal experience, planning assistance)



Housing stabilization and addressing homelessness (e.g., near- and long-term solutions, prevention efforts, etc.)



Research and analytics (e.g., using data to set strategy, developing new programs)

Preliminary housing department functions proposed (including addition of 21 FTE's) DRAFT

Executive leadership

Individual/family support (homelessness & vulnerable populations)

- Homelessness prevention
- Emergency shelter
- Permanent placements
- Supports for vulnerable populations (e.g., domestic violence, LGBTQ+, elderly)

Housing development

- Pre-development planning
- Deal navigation and assembly
- Developer support
- Regulatory policy and permitting process
- Housing financing

Community development, community engagement and sustainability

- Assisting municipalities advance development
- Sustainability and reaching climate goals
- Stakeholder engagement and communication s

Policy and planning

- Program development and evaluation
- Research, data and reporting
- Legislative review and crafting

Operations and support

- Operations (IT, finance, administration)
- Procurement and contracting
- Legal