

Governor's FY 2021 Budget: Articles

Staff Presentation to the House Finance
Committee
March 12, 2020

Introduction

| Topic | |
|----------------------------|--|
| Article 1 | H 7171 Sec. 23 Transfer; BHDDH Thresholds & Access to Independence |
| | H 7171 Sec. 17 Neighborhood Opportunities Program |
| Article 5 – Question 3 (a) | Housing Opportunities Bond |
| Article 12 | Housing |

Revenues Changes

| Quasi Transfers | FY 20 | FY 20 R | Chg. | FY 21 | 2Yr Chg. |
|------------------------|---------------|----------------|---------------|---------------|-----------------|
| Resource Recovery | \$ - | \$5.0 | \$5.0 | \$5.0 | \$10.0 |
| RI Housing | 1.5 | 1.5 | - | 1.1 | 1.1 |
| IB/MRBF | 4.0 | 12.9 | 8.9 | 5.0 | 13.9 |
| RISLA | 1.5 | 1.5 | - | 2.0 | 2.0 |
| QDC | 1.2 | 1.2 | - | - | - |
| NBC | - | - | - | 2.0 | 2.0 |
| RIHEBC | - | - | - | 1.0 | 1.0 |
| Quasi Total | \$8.2 | \$22.1 | \$13.9 | \$16.1 | \$30.0 |
| Other Transfers | 5.0 | 7.8 | 2.8 | - | 2.8 |
| Grand Total | \$13.2 | \$29.9 | \$16.7 | \$16.1 | \$32.8 |

\$ in millions

H 7171 Quasi Public Agency Transfers

- Require payments to the General Fund
 - Various amounts from quasi-state agencies
 - Multiple transfer proposals since FY 2018

| RI Housing Transfers | Proposed | Enacted |
|-----------------------------|-----------------|----------------|
| FY 2018 | \$ - | \$1.0 |
| FY 2019 | \$5.0 | \$ - |
| FY 2019 Revised | \$2.5 | \$ - |
| FY 2020 | \$1.5 | \$1.5 |
| FY 2021 | \$ 1.1 | |

\$ in millions

H 7171 Sec. 23 RI Housing Transfer

- Requires transfer \$1.1 million by end of FY 2021
 - Enacted budget includes \$1.5 million for FY 2020
 - Most recent prior transfer was FY 2018 - \$1.0 million
- RI Housing had reported unrestricted cash assets of \$6.6 million as of June 30, 2019

H 7171 Sec. 23 RI Housing Transfer

| Cash & Equivalent Position | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash & Equivalents | \$231.8 | \$206.7 | \$175.8 | \$188.0 | \$256.2 | \$225.6 |
| Cash from Operations | 125.5 | 85.1 | 63.6 | 58.6 | 50.6 | 110.5 |
| Noncapital Financing | (172.7) | (144.5) | (71.7) | (31.9) | (79.9) | 64.0 |
| Investing Activities | 22.1 | 28.6 | 20.2 | 41.4 | (1.3) | (83.4) |
| Ending Cash & Equivalent Position | \$206.7 | \$175.8 | \$188.0 | \$256.2 | \$225.6 | \$316.6 |

\$ in millions

H 7171 Sec. 23 RI Housing Transfer

| Cash Flow | FY 2018 | FY 2019 |
|---------------------------------------|--------------------|--------------------|
| Total Cash & Cash Equivalents | \$225.6 | \$316.6 |
| Customer & Program Escrow | (100.2) | (103.8) |
| Single Family Mortgage Bond Repayment | (65.2) | (137.0) |
| Multi-Family Mortgage Bond Repayment | (51.9) | (66.4) |
| Restricted Federal Programs-Section 8 | (3.1) | (2.8) |
| Actual cash on hand | \$5.2 | \$6.6 |

\$ in millions

H 7171 Sec. 23 RI Housing Transfer

- Revenue Sources
 - Net interest
 - Interest on loans
 - Earnings on investments
 - Sale of loans
 - FY 2014 funding model change from bonding
 - Sale to Fannie Mae & Investors
 - FY 2019 funding change back to bonding
 - Grant revenue
 - Loan related fees
 - Origination, late, and management

H 7171 Sec. 23 RI Housing Transfer

- Prior Budget Actions
 - FY 2008: Neighborhood Opportunities
 - \$26.0 million transfer to state to reimburse the expenditures made to support program
 - FY 2016: Affordable Housing
 - \$3.0 million to RIH from general revenues
- G.O. Bonds for Affordable Housing
 - \$50 million – 2006
 - \$25 million – 2012
 - \$40 million – 2016

H 7171 Sec. 23 RI Housing Transfer

- RI Housing administers two BHDDH programs for people w/ developmental disabilities and/or mental illness
 - Thresholds
 - Access to Independence
- Section 23 authorizes use of up to 1/2 existing fund balance prior to July 1, 2020 for community housing options
 - To “rebalance” from in-patient settings

H 7171 Sec. 23 RI Housing Transfer

- Thresholds - since 1994
 - Capital funding for developmental disability & behavioral health housing development
 - RI Housing disburses funds & oversees development activity
- \$0.3 million fund balance as of 12/19
 - New FY 2020 commitments would reduce available funds
 - \$0.2 million to be disbursed for FY 2020

H 7171 Sec. 23 RI Housing Transfer

- Access to Independence – since 1996
 - Grants & loans up to \$50,000 for families & caregivers
 - Program applications to BHDDH for supportive home modifications & adaptations
 - RI Housing underwrites & services loans, provides project inspection for compliance
- \$1.2 million fund balance as of 12/19
 - New FY 2020 commitments would reduce available funds

H 7171, Sec. 17 Neighborhood Opportunities Program

- Neighborhood Opportunities Program was created by 2001 Assembly
 - Through RI Housing
 - Provide gap financing
 - Construction of affordable housing
 - Established operating reserve
 - Cover gap between rent and actual operating cost of each unit

H 7171, Sec. 17 Neighborhood Opportunities Program

- NOP consisted of three components
 - *Family Housing* - for very low income
 - *Permanent Supportive Housing* - for disabled, homeless, or in danger of homelessness
 - *Building Better Communities* - construction and homeownership opportunities
 - Revitalized communities

H 7171, Sec. 17 Neighborhood Opportunities Program

- State support of \$45.5 million from FY 2002 through FY 2011
 - \$10.0 million from general revenues
 - \$9.0 million from RICAP
 - \$26.5 million in debt issued through RIHMFC
 - State paid the debt service
 - Debt has been defeased
- Number of housing units created
 - Approximately 1,250

H 7171, Sec. 17 Neighborhood Opportunities Program

- Section 17 of Article 1 requires:
 - RI Housing to provide amount “as appropriate” from its resources to support NOP
 - Agency must also provide report to
 - Chairpersons of both House and Senate Finance Committees
 - Director of Department of Administration
 - Detail amount of funding provided & number of units created
 - Annual requirement

H 7171, Sec. 17 Neighborhood Opportunities Program

- Article 1 requirement for NOP support first appeared in FY 2012 budget
 - Amount specified in FY 2012 at \$1.5 million
 - Subsequent proposals call for amount “as appropriate”
- Through FY 2019, RI Housing
 - Committed \$6.4 million
 - Each year’s commitments are paid out over several years
 - Support of 335 existing units

H 7171, Sec. 17 Neighborhood Opportunities Program

| FY | Committed | # of Years | Units Supporting | Expensed | % Exp. |
|--------------|---|-------------------|-------------------------|--------------------|---------------|
| 2012 | \$1,500,000 | 10 | 18 | \$1,500,000 | 100.0% |
| 2013 | 1,300,000 | 10 | 29 | 663,689 | 51.1% |
| 2014 | 1,189,701 | 4-5 | 145 | 1,157,906 | 97.3% |
| 2015 | 1,300,000 | 1-4 | 33 | 1,144,324 | 88.0% |
| 2016 | 680,435 | 5 | 34 | 92,310 | 13.6% |
| 2017 | 291,447 | 2 | 45 | 238,661 | 81.9% |
| 2018 | <i>No new commitments; no existing units depleted</i> | | | | |
| 2019 | 180,756 | 1 | 31 | 131,000 | 72.5% |
| Total | \$6,442,339 | | 335 | \$4,927,890 | 76.5% |

New Requested Debt – GO November 2020

| Ballot Questions | Amount | Annual Debt |
|-----------------------------------|----------------|--------------------|
| Higher Education | \$117.3 | \$9.4 |
| Environment & Recreation | 64.0 | 5.1 |
| Housing, Cultural, Infrastructure | 87.5 | 7.0 |
| Total | \$268.8 | \$21.6 |

Assumes 5% rate & 20 year term
\$ in millions

Assembly Role

- Appropriate Pay-Go
 - (Articles 1 of 7170 & 7171)
- Approve General Obligation Bond Referenda
 - Voters approve or reject
 - Debt service automatic
- Other Financing (Kushner)
 - Approve or reject resolution
 - Generally appropriate debt service

Project Considerations

- Does the project need to be done?
- Is the project ready to be done?
 - When will it start?
 - Is it well thought through and ready for funding/financing?
 - What will the operating budget impacts be?
 - Maintenance costs, staff savings?
 - When will it be complete?

Funding Considerations

- Should a project be financed or pay-as-you-go?
 - Rhode Island Capital Plan funds available as pay-go for all or part of project
 - More pay-go equals less future debt service

Funding Considerations

- State's overall debt structure
 - Net tax supported debt would decrease by \$19.9 million to \$1,917.2 million
 - Had dropped to \$1.3 billion in FY 2003 after use of tobacco bonds to defease debt
 - Past practice indicates it will be higher as more projects are added

Funding Considerations – Debt Ratios

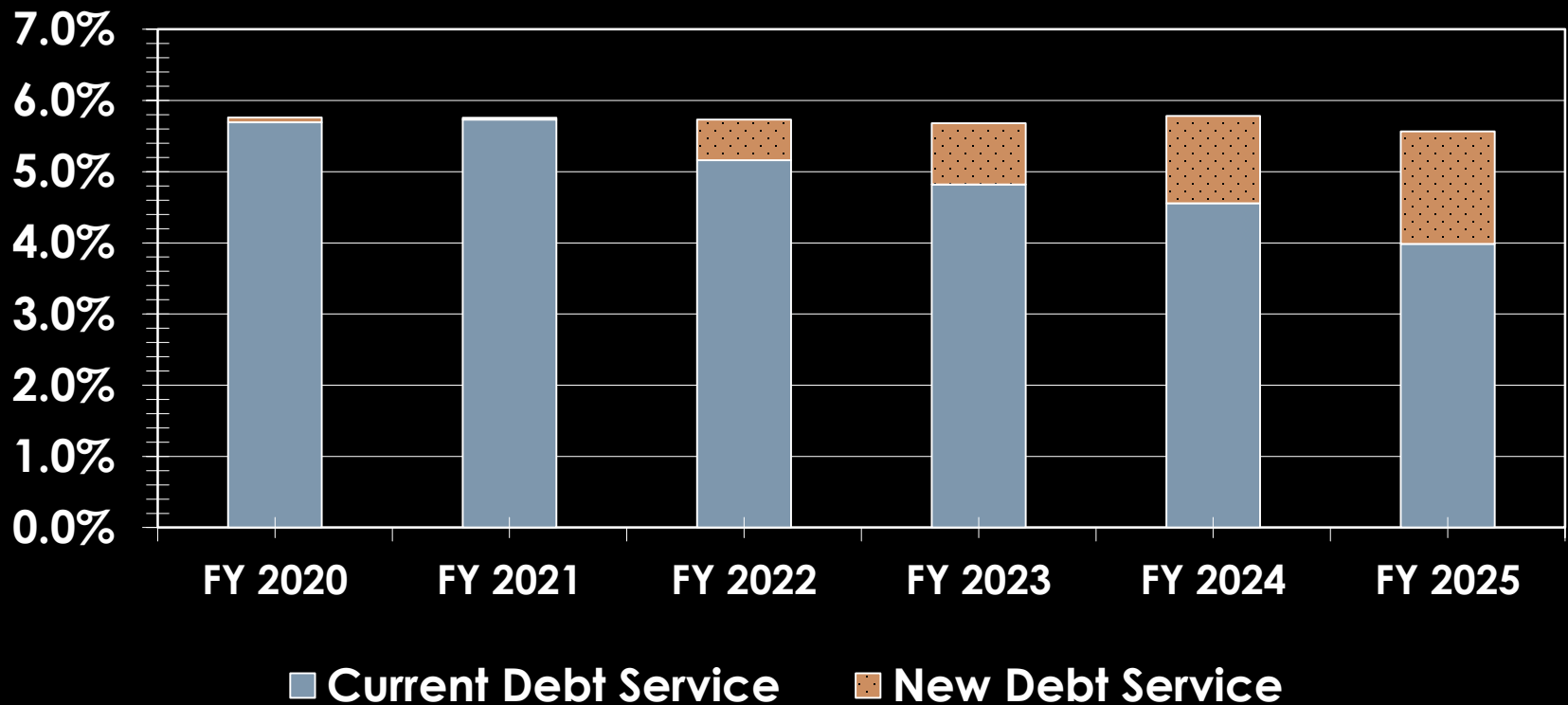
- Debt as % of personal income
 - Drop from 3.1% in FY 2019 to 2.6% in FY 2025
 - Likely to be higher as projects are added
- Treasurer's January debt capacity letter
 - Update to PFMB Debt Affordability Study
 - Bond capacity for 2020 ballot: \$208.3 million
 - Appears to assume faster issuance schedule than typical
 - Treasurer updated letter on Feb. 11
 - Liability would remain within recommended levels based on projected issuance schedule

Funding Considerations – Debt Service

| Fiscal Year | Net Tax Supported Debt Service | Pct. of Revenues |
|--------------------|---------------------------------------|-------------------------|
| 2020 | \$243.4 | 5.8% |
| 2021 | \$252.7 | 5.8% |
| 2022 | \$261.8 | 5.8% |
| 2023 | \$265.5 | 5.8% |
| 2024 | \$276.0 | 5.9% |
| 2025 | \$267.7 | 5.6% |

\$ in millions

Debt Service as Percent of Useable Revenues



New Requested Debt - GO

| Q3: Housing, Cultural, Infrastructure | Amount | Annual Debt |
|--|---------------|--------------------|
| Housing Opportunities | \$25.0 | \$2.0 |
| <i>Port of Davisville Infrastructure at Quonset*</i> | 20.0 | 1.6 |
| <i>Industrial Site Development*</i> | 21.5 | 1.7 |
| <i>Early Childhood Care & Education*</i> | 15.0 | 1.2 |
| <i>Cultural Arts & the Economy Grants*</i> | 5.0 | 0.4 |
| <i>State Preservation Grants*</i> | 1.0 | 0.1 |
| Total | \$87.5 | \$7.0 |

\$ in millions *not on 3/12 agenda

Article 5, Question 3 Housing Opportunities

- Question 3 allows state to issue \$25.0 million from new G.O bonds for Affordable Housing
 - New construction & existing structure redevelopment
- Voters in 2006, 2012, & 2016 approved total G.O. bond issuances of \$115.0 million for Affordable Housing
 - Provided to the Housing Resources Commission

Article 5, Question 3 Housing Opportunities

- 2012 & 2016 bonds specifically for
 - New construction
 - Redevelopment of existing structures
- 2006 bonds allocated as matching funds
 - 80% for developer deferred payment loans for rental units
 - 20% for development of home owner units

Article 5, Question 3 Housing Opportunities

| FY | G.O. Bond | Total Units | Rental | Ownership |
|--------------|------------------|--------------------|---------------|------------------|
| 2006 | \$50.0 | 1,226 | 1,077 | 149 |
| 2012 | 25.0 | 748 | 726 | 22 |
| 2016 | 40.0 | 1,120 | 1,078 | 42 |
| Total | \$115.0 | 3,094 | 2,881 | 213 |

\$ in millions

- 2016 funds fully committed as of January
 - 2012 & 2016 more than 95% affordable rental housing

Article 5, Question 3 Housing Opportunities

- FY 2016 Budget - \$3.0 million from debt refinancing proceeds to RI Housing
- Voters in 2016 authorized \$10.0 million for urban revitalization & blight
 - To improve residential & commercial properties, public & community spaces
 - \$10.0 million committed; \$4.0 million for residential development – 152 residential units: 147 rental
 - Also 15 commercial spaces & 7 public facilities

Housing Policy Governance

- RI Housing Resources Act of 1998
 - Defines state's housing policy governance
 - Establishes 28-member Housing Resources Commission as lead entity
 - Includes 8 ex-officio members: 7 from state agencies, & RI Housing chairperson
 - Enumerates 7 professional association presidents & specific issue executive directors
 - Banking, real estate, housing & homelessness
 - Requires 1 chairperson & 12 issue representatives
 - Developers, homelessness, planning, building, minority interests, elder housing, & fair housing

Housing Policy Governance

- RI Housing Resources Act of 1998
 - Includes 4-member coordinating committee to develop MOA
 - Outline relationship between the Rhode Island Housing & Housing Resource Commission
 - Designate which federal programs each entity applies for on behalf of the state
 - Executive directive established Office of Housing & Community Development
 - Provides financial & operational support for programs of the Housing Resources Commission

Housing Policy Governance

- RI Housing Resources Act of 1998
 - Directs Commission functions & responsibilities
 - Defines affordable housing parameters

Administer housing programs pertaining to

| | |
|--|------------------------------------|
| Abandoned properties & remediation of blight | Services for the homeless |
| Lead abatement w/ RI Housing | Rental assistance |
| Tax credits for non-profits, housing, community development | Community development |
| Financial assistance & support to non-profits & community development corps. | Outreach, education & tech assist. |

Housing Policy Governance

- Comprehensive Housing Production & Rehabilitation Act of 2004
 - Clarified the Commission's responsibilities
 - Develop policies, standards & programs
 - Provide technical housing assistance
 - Established formal role for Division of Planning
 - Establish metrics to achieve short & long term plans
 - Include housing production in state guide plan
 - Provide technical planning assistance, data, plan review & oversight to municipalities for compliance
 - State min. standards, 10% affordable housing threshold

Article 12, Housing

- Article creates new hierarchy
 - Governor to appoint New 7-member coordinating council as state lead
 - New Deputy Secretary for Executive Office of Commerce as its executive director

| 7-Member Coordinating Council | |
|--------------------------------------|---|
| RI Housing Chairperson | (3) state agency or political subdivision representatives |
| Secretary of EOHHS | • Including Continuum of Care member |
| Proposed Steering Committee Chair | Secretary of Commerce |

Article 12, Housing

- Article establishes 19-member advisory steering committee
 - Includes 13 members from 15 enumerated issue areas and/or any other area deemed necessary
 - One selected by Governor as chairperson
 - Also coordinating council member
 - Adds 6 remaining coordinating council members from state agencies or a political subdivision

Housing Policy Governance

- Article 12 renames the Office of Housing & Community Development as a Division

| Division to administer housing programs pertaining to |
|---|
| Services for the homeless |
| Rental assistance |
| Community development |
| Disaster assistance |
| Financial assistance & support, to non-profits & community development corps |

Article 12, Housing

- Article 12 distributes existing HRC powers
 - Except to hear/resolve housing disputes

| Coordinating Council | Steering Committee |
|---|---|
| Integrate housing policies & programs across state | Adopt, monitor, evaluate & include community input to state's strategic housing plan; homelessness plan & deployment of resources |
| Develop housing plans, policies, & programs in consultation w/ steering committee | |
| Establish the performance metrics & guidelines | Provide recommendations & community input for goals to coordinating council including the housing production fund |
| Boilerplate operational power | |

Article 12, Housing

- Establishes housing incentive districts
 - Districts adopted by ordinance
 - Subject to coordinating council guidelines
 - Specific development & subdivision review procedures
 - Consistent with local comprehensive planning requirements
 - Coordinating council empowered
 - Provide “All manner of assistance”
 - Authorize RI Housing to pay school impact offset payments
 - Payment to locals to offset new education costs
 - Modeled after Massachusetts

Massachusetts

- Chapter 40B – Reduce affordable housing regulatory barriers enacted 1969
 - 10% local affordable housing requirement & standards
 - Similar to Comprehensive Housing Act of 2004
 - Comprehensive zoning permits to consolidate process
 - For government funded projects
 - State level appeals for developers where locality < 10% affordable threshold

Massachusetts

- Chapter 40R – Zoning incentive payments enacted 2004
 - For adopting overlay zoning districts by ordinance
 - Allow mixed-use, higher-density development as-of-right or through a limited plan review
 - Concentrated around
 - Areas near transit stations
 - Municipal centers & commercial districts
 - Advantageous infrastructure and/or underutilized facilities

Massachusetts

- Chapter 40R Payments
 - One-time payment for adopting a district based on size
 - \$3,000/unit for each building permit issued

| Zoning Incentive Payments | |
|----------------------------------|-----------|
| Up to 20 Units | \$10,000 |
| 21-100 Units | \$75,000 |
| 101-200 Units | \$200,000 |
| 201-500 units | \$350,000 |
| 501+ Units | \$600,000 |

Massachusetts

- Chapter 40S – Net educational expense offset program enacted in 2005
 - Reimbursement for students who relocate to new district housing
 - Subject to appropriation
 - Reimbursement equals the value of education costs minus the value of new property & excise taxes from the district & increased state education funding

Massachusetts 40S Payments

| FY | Eligible Municipalities | Eligible Amount | Amount Paid | Pct. Paid | FY Paid / Due |
|--------------|-------------------------|-----------------|--------------|-----------|---------------|
| 2010 | 2 | \$0.36 | \$0.36 | 100% | 2012 |
| 2011 | 2 | 0.24 | 0.24 | 100% | 2013 |
| 2012 | 2 | 0.18 | 0.18 | 100% | 2013 |
| 2013 | 1 | 0.13 | 0.13 | 100% | 2014 |
| 2014 | 2 | 0.44 | 0.44 | 100% | 2015 |
| 2015 | 2 | 0.61 | 0.35 | 57% | 2016 |
| 2016 | 2 | 0.61 | 0.25 | 41% | 2017 |
| 2017 | 2 | 0.41 | 0.25 | 61% | 2018 |
| Total | | \$3.0 | \$2.2 | | |

\$ in millions

Article 12, Housing

- Establish housing production fund
 - Administered by RI Housing
 - Financial assistance for the planning, production, or preservation of housing
 - Technical & financial assistance for municipalities
 - Support housing production, regulatory reduction & housing incentives
 - Funded by proposed Real Estate Conveyance Tax increase

Article 12, Housing

- Real Estate Conveyance Tax
 - Tax on sale of property - \$2.30 per \$500 of property value (0.46%)
 - Must be paid within 5 days of sale

| Recipient | Tax Received |
|-------------------------------------|---------------------|
| Housing Resources Commission | \$0.30 |
| Distressed Community Relief Program | 0.30 |
| State General Fund | 0.60 |
| Municipality | 1.10 |
| Total | \$2.30 |

Article 12, Housing

- Governor proposes second Real Estate Conveyance Tax tier
 - Doubles tax to \$4.60 per \$500 (0.92%) for value over \$0.5 million
 - Accrues entire \$2.30 increase to restricted Housing Production Fund
 - Expected to generate \$3.6 million in FY 2021 and \$8.0 million annually
 - As drafted effective July 1 – GBA 1 corrects to January 1
 - Applicable to commercial and residential transactions like current tax

Article 12, Housing

- Massachusetts has a different tier for Barnstable County - \$3.24/\$500 (0.648%)
 - All other counties \$2.28/\$500 (0.456%)

| Connecticut | Pct. |
|--------------------------|-------------|
| Residential dwelling | |
| First \$0.8 million | 0.75% |
| Over \$0.8 million | 1.25% |
| Non-residential dwelling | 0.75% |
| Non-residential property | 1.25% |
| Delinquent mortgager | 0.75% |

Article 12, Housing

- Governor proposes 2% assessment on local share of taxes collected by state
 - Real Estate Conveyance Tax from corporate ownership transfers; no revenues assumed
 - Other realty transfers collected locally
- Exempts federally-funded affordable housing facility ownership transfers from conveyance tax in general

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