

## American Rescue Plan State Fiscal Recovery Fund Recommendation Cover Sheet

Please submit this document with any recommendations for funding from Rhode Island's allocation of federal fiscal recovery funds available through the American Rescue Plan Act. This information will be made available to the public along with any detailed documents submitted that describe the proposal. It is encouraged that such documents identify clear goals and objectives and quantifiable metrics.

**This is not a formal request for funds, and submission of recommendations does not guarantee a response, public hearing, or appropriation from the General Assembly.**

Name of Lead Agency: Reclaim RI

Additional agencies making recommendation (if applicable): \_\_\_\_\_

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Brief Project Description (attachments should contain details)

Housing spending recommendations for ARPA fiscal recovery funds

Total request: \$ 260,000,000

One-time or Recurring Expense? One-time, but further spending on areas covered required

ARPA Eligibility Category (check all that apply) – See link for further information

<https://www.rilegislature.gov/commissions/arpa/commdocs/Treasury%20-%20Quick-Reference-Guide.pdf>

- Respond to the public health emergency and its economic impacts Yes
- Premium pay to eligible workers \_\_\_\_\_
- Government services/state revenue replacement \_\_\_\_\_
- Water/sewer/broadband infrastructure \_\_\_\_\_

## Background

COVID-19 has only exacerbated Rhode Island's persistent housing crisis. Between 2013 to 2017, per RIHousing's analysis of Census data, Rhode Island had 30,000 affordable homes in the state that were available for 50,000 very-low-income households.<sup>1</sup> Similarly, only 11,000 affordable homes were available to 24,000 middle income households in the state. Renters, who are cost burdened as to make only 3 out of 39 municipalities in the state affordable to households making less than \$50,000 annually by 2019, are adversely affected.<sup>2</sup> The American Recovery Plan's \$1.7 billion in state and local fiscal recovery funds for Rhode Island presents unrivaled opportunities to improve the lives of Rhode Islanders through affordable housing development. Both the law itself and the Treasury's interim final rule give Rhode Island relatively broad latitude in providing relief to those adversely affected by COVID-19, including those needing affordable housing.<sup>3</sup>

## Proposals

Accordingly, Reclaim RI supports the following proposals:

### I. Social services work to maximize use of existing relief programs - \$5 million (\$4 million)

Applicants for prior and current pandemic relief programs have experienced difficulties in navigating application and verification processes, including deficits in documentation corroborating their loss of income or limiting the disbursement of federally granted funds.<sup>4</sup> To date, only 17 percent of Rhode Island's granted \$200 million in emergency rental assistance has been disbursed.<sup>5</sup> In support of these programs, \$5 million of state fiscal recovery funds should be appropriated to hire additional well-paid and unionized social service workers and underwriters to buttress existing support for relief applicants and to expedite verifications.

### II. Catchment program for nonqualifying persons - \$20 million (\$20 million)

The Housing Help RI and Rent Relief RI programs have provided rent relief and utility assistance to tens of thousands of qualifying households throughout the pandemic. However, those that may not qualify for or have been denied are still vulnerable to further rent debt and to eviction. As part of ongoing rent relief, \$20 million of fiscal recovery funds should be appropriated for a supplementary relief program for those affected by COVID-19 earning up to 80% of median income that do not qualify for Rent Relief RI or similar relief. As with RentRelief RI, this program should be operated by and funded through RIHousing.

### III. Legal services aid for renters - \$10 million (\$2 million)

The pandemic, even with eviction moratoriums, has created significant legal challenges for tenants who are most acutely affected by employment disruption or illness. Moreover, right to counsel programs have proven successful elsewhere.<sup>6</sup> \$10 million in state fiscal recovery funds should be appropriated to and controlled by RIHousing for a legal services fund for tenants earning 80% of median

<sup>1</sup> *Rhode Island's Housing Production*. RIHousing, February 5, 2020. <http://www.rilin.state.ri.us/commissions/Shousing/commdocs/RIHousing%20-%20Senate%20Housing%20Commission%20-%202002-05-20-presentation.pdf>, p.15. See Census PUMS data.

<sup>2</sup> *2019 Housing Fact Book*. HousingWorksRI, n.d. [https://www.housingworksri.org/Portals/0/Uploads/Documents/2019%20Pages/HFB2019\\_compressed.pdf](https://www.housingworksri.org/Portals/0/Uploads/Documents/2019%20Pages/HFB2019_compressed.pdf), p. 9

<sup>3</sup> *Ibid.*, p. 16

<sup>4</sup> Ahlquist, Steve. "Governor Unveils New Eviction Diversion Program, but Will Landlords Allow Tenants to Utilize It?" *UpriseRI*. July 11, 2020. <https://upriseri.com/2020-07-11-evictions/>.

<sup>5</sup> "Rent Relief RI - Data Dashboard." RIHousing. RIHousing, August 10, 2021. <https://www.rihousing.com/rent-relief-ri-dashboard/>.

<sup>6</sup> Steinkamp, Neil, et al. *The Economic Impact of an Eviction Right to Counsel in Baltimore*. Stout Risius Ross, May 8, 2020, p. 8. [https://bmorerentersunited.org/wp-content/uploads/2020/05/Baltimore-RTC-Report\\_FINAL\\_5.8.2020.pdf](https://bmorerentersunited.org/wp-content/uploads/2020/05/Baltimore-RTC-Report_FINAL_5.8.2020.pdf).

income or less facing litigation and other legal action from landlords due to the coronavirus pandemic. By consolidating rental assistance and legal services assistance, RIHousing's operation of the program should avert additional administrative burdens on participants and increase participation.

#### **IV. Mediation aid for renters - \$10 million (\$2 million)**

The defunct Safe Harbor Housing Program, which allowed tenants and landlords to mediate disputes in advance of eviction proceedings, helped reduce eviction filings in Rhode Island in 2020 but became defunct once monetary rent relief became available.<sup>7</sup> The lapse in mediation, even with rent relief available, reduces opportunities for neutral discussions of repayment and leasing between renters in arrears and their landlords. Moreover, having a nonprofit administered program added an additional layer of abstraction from broader rental assistance work and placed further administrative burdens on applicants amid the early mesh of programs.<sup>8</sup> Accordingly, \$10 million of fiscal recovery funds should be appropriated for a state-operated mediation assistance fund for coronavirus-impacted tenants earning 80% median income and below. Like the aforementioned legal services aid, mediation aid should be funded through and administered by RIHousing to ensure housing stability is prioritized and assistance is delivered effectively.

#### **V. Capitalization of building - \$195 million (\$220 million)**

RIHousing estimates that \$100 million in private and public housing development is needed to reach production and preservation goals, including through Low Income Housing Tax Credits, or LIHTCs.<sup>9</sup> Given the scale of housing need and the state's limited permanent housing funding, maximizing the full value of those credits is of paramount importance. To that end, \$195 million dollars of fiscal recovery funds ought to be appropriated for the capitalization of a state corporation devoted to affordable housing construction. The corporation would acquire land, issue tax-exempt private activity bonds to cover construction costs, and sell tax credits worth 4% of the affordable units' value to generate a revolving fund to cover development costs and additional affordable units. These credits, around 9% or 4% of eligible costs of the percentage of affordable units being developed, over a decade would represent 70% and 40% of a project's equity respectively. As the 9% credits are limited and cannot be used with other federal subsidies,<sup>10</sup> projects involving 4% credits would represent the bulk of credits sold from bond-financed projects, including the rehabilitation of existing housing.<sup>11</sup> In the interest of sustainability, both new and rehabilitated units should be fully electrified and at least meet zero net energy or passive house standards. Construction and renovations to those standards would both address concerns of environmental justice for residents and demonstrate those standards' viability at scale. Rents from state-owned units would sustain themselves while creating greater stability for renters. This new corporation should be part of a statewide coordinated housing strategy implemented within a fully-fledged, meaningfully funded Department of Housing and Community Development outside of the Executive Office of Commerce with a dedicated staff and active involvement by Rhode Islanders facing the greatest housing need.

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<sup>7</sup> Mulvaney, Katie. "Evictions, Bankruptcies Were Down in RI Over Calamitous Year, But What Lies Ahead?" *The Providence Journal*. December 24, 2020. <https://www.providencejournal.com/story/news/courts/2020/12/24/evictions-bankruptcies-held-steady-2020-ri-what-lies-ahead/4027643001/>.

<sup>8</sup> Rudin, Sophie. "'Hurry up and Wait': Rent Relief Programs Struggle to Deliver Aid to Low Income Tenants." *The Public's Radio*. September 21, 2020. <https://thepublicsradio.org/article/-hurry-up-and-wait-rent-relief-programs-struggle-to-deliver-aid-to-low-income-tenants>.

<sup>9</sup> 2022 *Rhode Island Qualified Allocation Plan*. RIHousing, September 16, 2021. <https://www.rihousing.com/wp-content/uploads/2022-Final-QAP-ATT-C-1.pdf>.

<sup>10</sup> Mark P. Keightley, *An Introduction To The Low Income Housing Tax Credit*, Congressional Research Service (Washington, DC, 2021), pp. 1, 4. <https://crsreports.congress.gov/product/pdf/RS/RS22389>

<sup>11</sup> Ibid.

## **VI. Technical assistance for affordable housing - \$10 million (\$8 million)**

Continuing efforts to build affordable housing will require support for projects' technical aspects, including sustainable development. Accordingly, \$10 million of fiscal recovery funds should be allocated to technical assistance for the creation of further housing units.

## **VII. Incentives to PHAs for Faircloth to RAD maximization - \$10 million (\$10 million)**

The Faircloth to RAD (Rental Affordability Demonstration) program allows for public housing authorities to significantly increase the supply of affordable housing without exceeding the Faircloth Amendment's net limit on public housing construction.<sup>12</sup> Under the program, newly constructed units, under particular stipulations and using varying funding sources, can be approved for conversion by public housing authorities to Section 8 subsidized market housing upon completion. As of May 2021, Rhode Island is 731 units short of its Faircloth limit, a deficiency that can be remedied without state subsidies per a recent HUD directive.<sup>13</sup> LIHTCs may be used to fund Faircloth to RAD units, which have the ability but not necessity to be made subsidized market units.<sup>14</sup> Housing authorities may then retain the units as project-based assistance units while availing themselves of ongoing federal support. To encourage development of these units, \$10 million of recovery funds should be appropriated as an incentive program for public housing authorities statewide.

## **Summary**

Representing some \$260 million in catalyzing spending from the American Rescue Plan's granted fiscal recovery funds, these measures are significant steps in protecting rental tenancy and expanding the state's supply of affordable housing. They represent immediate need and future infrastructural investment for the betterment of all Rhode Islanders. Moreover, they leverage existing and underutilized federal resources with continuing support to ensure continuing affordability. In so doing, they challenge the existing and languorous crawl that currently characterizes Rhode Island's efforts to improve housing equity. They should not, however, be treated as exhaustive. Much remains to be done to improve housing stability and affordability across the state, and spending on affordable housing for both renters and owners must be vastly increased to reduce housing costs and transition the housing stock to a safe, environmentally sustainable condition. Nevertheless, the spending arising from a rare lump sum of funds should be concentrated on those renters most in need.

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<sup>12</sup> Bell, Samuel. "Biden Admin Memo: RI Can Build 731 Units of Public Housing." *UpriseRI*. UpriseRI, September 20, 2021. <https://upriseri.com/ri-can-build-731-units-of-public-housing/>.

<sup>13</sup> Yang, Katherine. Rep. *Faircloth to RAD Fact Sheet*. U.S. Department of Housing and Urban Development, May 7, 2021. [https://www.hud.gov/sites/dfiles/Housing/documents/Faircloth-to-RAD\\_Fact\\_Sheet.pdf](https://www.hud.gov/sites/dfiles/Housing/documents/Faircloth-to-RAD_Fact_Sheet.pdf).

<sup>14</sup> Bell, "Biden Admin Memo: RI Can Build 731 Units of Public Housing."