

House Finance Committee Hearing

May 8, 2024

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1

SFRF Accomplishments To Date

This money is actively being deployed to help Rhode Islanders. Even though it takes time to build new housing, these investments are generating progress.

New & Preserved Housing	<ul style="list-style-type: none"> • 1,687 housing units financed. • Includes 1,406 affordable units. • Includes 176 affordable, permanent supportive apartments exclusively for formerly homeless adults. • 53 units complete plus 477 units under construction.
New Shelter Capacity	<ul style="list-style-type: none"> • 338 net increase in shelter beds since last January. • Up 32% since last January.
New Homeowners	<ul style="list-style-type: none"> • The Downpayment Assistance Program provided \$17,500 to first time homebuyers. • This program helped 1,597 Rhode Islanders across 34 municipalities purchase their first homes.



2

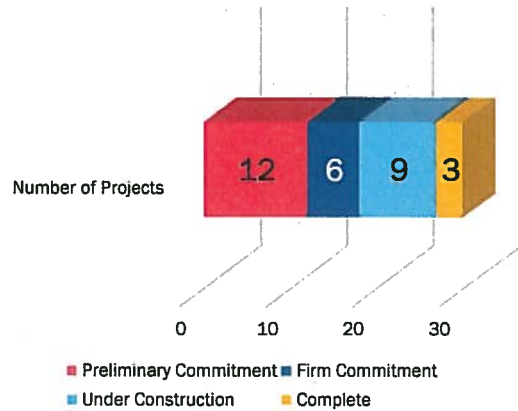
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2

Construction progress

Committed projects progressing, despite national development challenges

- National development challenges:
 - Increasing construction & financing cost
 - Decreasing tax credit syndication pricing
 - Supply chain issues
 - Unanticipated site conditions
- Typical projects funded to date are taking 26-34 months to complete construction, following funding approval
- Monitoring project progress to ensure projects stay on track.
- GBA #11 requests additional flexibility for spending Development of Affordable Housing funds on site acquisition and predevelopment costs.
 - Designed as a contingency measure in the event of unforeseen changes to projects after the federal obligation deadline.
 - Further policy intent of developing affordable housing, consistent with original allocations.



3

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3

Governor's Budget Amendments

Proposing targeted SFRF reallocations and new recurring funding to support homelessness

- GBA #11 identifies \$6.6 million in SFRF funds that would be reallocated. These are (1) \$1.3 million from housing-related infrastructure, (2) \$0.3 million from municipal homelessness support initiative, and (3) \$5.0 million from priority projects fund (replaced with ERA2).
- GBA #12 allocates \$16.6 million in SFRF to Homelessness Assistance and requests authority to identify up to an additional \$2.0 million in housing SFRF funds that could be transferred to Homelessness Assistance or Homelessness Infrastructure.
- GBA #13 proposes a dedicated homelessness funding source and updates to restricted receipts accounts to support housing and homelessness.



4

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4

FY 2025 Proposed Budget Amendment Overview

Increases funding resources to address housing stability and homelessness

- The Governor's proposal would bring funding for homelessness programming up to **\$31.0 million for FY 2025**.
- This includes:
 - \$16.6 million in resources drawn from remaining State Fiscal Recovery Funds (SFRF).
 - \$2.2 million carry-forward from pre-existing SFRF.
 - \$1.3 million in broadened housing production fund uses.
 - Up to \$2 million in additional SFRF flexibility, if funds remain.
 - \$2.5 million from closing the whole-home short-term rental loophole.
 - Importantly, this change will provide \$2.5 million in FY25 and up to \$5 million annually after, creating a critical recurring funding stream
 - \$6.4 million from annual funding sources.

Proposes governance updates and broadens uses of restricted receipt accounts

- Updates to the Housing Production Fund
 - Updated Name: Housing Production and Stability Fund
 - Broadens uses to housing stabilization, housing problem solving, housing subsidy, and homelessness prevention
 - Updates governance to Department's administration, in consultation with HRC coordinating committee
- Updates to the Housing Resources Commission Restricted Receipt Account
 - Updated Name: Housing Resources and Homelessness Restricted Receipt Account
 - New short-term rental funds will be distributed to this fund
 - Updates governance to Department's administration, in consultation with HRC coordinating committee

5

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5

Budget Amendments – Key Features

Strengthens Coordination

- Restricted receipts accounts predate the establishment of the Department of Housing.
 - The Department's statutory charge includes oversight and coordination across housing-related activities.
 - These amendments update their governance to reflect the establishment of the Department.
- Consolidated Homelessness Fund (CHF) process would continue.
- Department will continue dialoguing with the Housing Resources Commission.

Provides for Transparency

- HRC Coordinating Committee is required to follow Open Meetings Act.
- Department is required to follow State purchasing rules.

6

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6

FY 2025 Proposed Budget Amendment

Creates a steady funding stream to address housing stability and homelessness by closing a tax loophole.

- Closing the Whole Home Short-term Rental Hotel Tax Loophole

		
Entire Residential Dwelling	Traditional Hotel Room	Room Rental
Type of tax	Type of tax	Type of tax
Tax rate	Tax rate	Tax rate
State sales tax:	State sales tax:	State sales tax:
7%	7%	7%
State hotel tax:	State hotel tax:	State hotel tax:
1%	5%	5%
Local hotel tax:	Local hotel tax:	Local hotel tax:
1%	1%	1%
Total:	Total:	Total:
8%	13%	13%

 Department of Treasury Slide 6