

ARPA Fiscal Recovery Funds – Governor’s “Down Payment” Proposal

Staff Presentation to the House Finance Committee
October 28, 2021

Down Payment Proposal

- On October 7, Governor McKee requested approval for a plan for use of \$113 million ~ 10% of RI 's fiscal recovery fund allocation
 - Business and Tourism - \$45.0 million
 - Services to Children - \$38.5 million
 - **Housing and Broadband - \$29.5 million**
- Now contained in 2021- H 6494

Down Payment Proposal

- The request contains 2 pages of draft legislation and a 10 page supporting memo further describing the programs
 - As with traditional budget requests discussions with the Budget Office and related agencies enhance understanding of intent and implementation plans for specific proposals

Down Payment Proposal

- 11 distinct proposals within the 3 categories
 - Tonight's hearing covers the housing & broadband proposals

Item #	Name	Amount
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	Total	\$29.5

\$ in millions

COVID-19 Relief

- 6 federal acts enacted to address crisis
 - Coronavirus Preparedness & Response Supplemental Appropriations – March 6, 2020
 - Families First Coronavirus Response – March 18
 - CARES – March 27
 - Paycheck Protection Program & Health Care Enhancement – April 24
 - Consolidated Appropriations Act – Dec 27
 - American Rescue Plan Act – March 11, 2021

COVID-19 Relief

- Federal acts include funding for
 - State and local budgets
 - Strings and limitations
 - Individuals
 - Direct stimulus payments
 - Optional tax changes
 - Businesses
 - Loans
 - Optional tax changes

COVID-19 Relief

- American Rescue Plan Act of 2021
 - Signed March 11, 2021
 - Same day Governor submitted his budget
 - \$360 billion to state & local governments
 - \$1,400 refundable tax credits to individuals
 - Extends enhanced unemployment insurance benefits until September 6, 2021
- FMAP enhanced rate through at least end of 2021 – federal admin action

COVID-19 Relief: Education

- ARPA adds much more with same waiver as 5th stimulus but additional rules

Education Funds	CARES	CAA	ARPA	Total
Governor's Fund	\$8.7	\$11.0	\$5.1	\$24.8
K-12 Fund	46.4	184.8	415.0	646.2
Higher Education Fund	29.5	51.5	90.8	171.8
Total	\$84.6	\$247.3	\$510.9	\$842.8

\$ in millions

COVID-19 Relief

Other American Rescue Plan Act Items of Note	RI Share
Students w/ Disabilities & Homeless Youth	\$13.6
Childcare Block Grant & Provider Stabilization	94.4
LIHEAP	30.8
Head Start	3.0
Emergency Assistance for Children & Families	2.7
Supportive Services/Congregate Meals	7.7
Testing/Vaccine	112.0
Mental Health Centers/Behavioral Healthcare	35.3
Transit	29.5

\$ in millions; Data from *Federal Funds Information for States* as of May 25, updated from prior presentation

American Rescue Plan Act

- State & Local Fiscal Recovery Funds
 - RI to get \$1.8 billion over 2 years
 - \$1,131.1 million to the state
 - \$112.3 million for capital project expenses
 - \$536.8 million to locals
- Use spans several state fiscal years
 - Must obligate by Dec. 31, 2024 - **FY 2025**
 - Funded projects must be completed by Dec. 31, 2026 - **FY 2027**

ARPA State Fiscal Recovery Funds Timeline

FY 2021: March 2021 ARPA becomes law

- 
- \$1,131M - fiscal recovery funds
 - May 2021 interim final rule
 - June 2021 compliance & reporting guidance
 - July 2021 (FY 2022) most recent FAQs updated
 - Dec. 31, 2024 funds must be obligated by (FY 2025)
 - \$112M capital projects fund
 - Sept. 2021 guidance
 - Sept. 24 application opens
 - December 27, 2021 deadline to request funding (FY 2022)
 - September 24, 2022 deadline to submit grant plan (FY 2023)

FY 2027: All funds must be spent by December 31, 2026

State & Local Fiscal Recovery Funds

A. Respond to the public health emergency (PHE) and its economic impacts

B. Respond to workers performing essential work during COVID-19 PHE by providing premium pay to eligible workers

**ARPA specifies
four eligible
uses**

C. Provision of government services to the extent of the reduction in revenue due to the COVID-19 PHE

D. To make necessary investments in water, sewer or broadband infrastructure

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Broadband Infrastructure

- Proposes \$0.5 million to make the state eligible for existing federal broadband funding and plan for future
 - Current federal grant programs require a designated coordinating entity
 - RI may receive up to \$100 million with federal Infrastructure Investment and Jobs Act
 - Requires future 25% (\$25M) state match
 - Match is eligible use of ARPA State Fiscal Recovery Funds

Broadband Infrastructure

- Legislation reads “\$500,000 shall be allocated to broadband services which may include coordination, mapping, and development of a statewide plan to provide broadband access to unserved and underserved households and businesses”

Broadband Infrastructure

- Broadband Director - \$0.1M
 - Designated state broadband coordinator
 - FY 2022 cost only – Annualized \$150k
 - Lead multiagency coordinating committee
 - Create, oversee, and implement strategic plan
- State Strategic Plan - \$0.2M
 - Goals and funding needs based on mapping
- Broadband Mapping - \$0.2M
 - Build on work by van Beuren Charitable Foundation based in Newport
 - Original infrastructure maps by Broadband RI

Broadband Infrastructure

- Broadband RI: 2011-2015
 - EDC (now Commerce) initiative
 - \$4.5 million federal grant to RI EDC
 - Data & map of fiber optic cables serve as basis for current mapping initiative
- Special Legislative Commission on Broadband Services and Accessibility
 - Published most recent state broadband strategic plan in 2015

Broadband Infrastructure

- 2021-H 5146 Sub A (Ruggiero)
 - Establishes 11 member broadband council to create a strategic plan for broadband service in the state
 - Creates Broadband Coordinator position at Commerce
- Commerce, DBR, PUC supported
- Passed House – did not pass Senate

Affordable Housing Background

- Recent focus of 2021 session activity
 - Funding
 - Governance and reporting
 - Special topic House commissions

Affordable Housing

- Deputy Secretary of Housing
 - 2021 Assembly established position as state's lead official to coordinate & facilitate housing development
 - FY 2022 budget includes \$0.3 million
 - Required to produce annual reporting on housing units, affordability, healthy housing stock & housing formation trends & recommendations by December 31, 2021
 - Not yet filled - still posted

Housing Production Fund

- 2021 Assembly established Housing Production Fund recommended by Gov.
 - Administered by RI Housing subject to Coordinating Committee guidelines
 - Financial assistance for the planning, production, or preservation of housing
 - Technical & financial assistance for municipalities
 - Support housing production, regulatory reduction & housing incentives

Housing Production Fund

- Enacted budget establishes a 2nd tax tier of the real estate conveyance tax, effective Jan. 1, 2022
 - Doubles tax to \$4.60 per \$500 (0.92%) for residential properties valued over \$0.8 million
 - Accrues entire \$2.30 increase to restricted Housing Production Fund

Housing Production Fund

- 2nd tax tier effective January 1, 2022

Recipient	Share	FY 2022
Housing Resources Commission	\$0.30	\$6.3
Distressed Community Relief (General Revenues)	0.30	6.3
State General Fund	0.60	12.5
Municipality	1.10	23.0
Housing Production Fund ¹	2.30	1.9
Total	\$4.60	\$49.9

FY 2022 Total \$ in millions; ¹tax effective Jan.1, 2022, half year only

Housing Production Fund

- Housing Production Fund
 - 2021 Assembly capitalized with \$25.0 million from general revenues
 - Budget assumes additional \$19.2 million over 5-year period - from new dedicated source

Source	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
General Revenues	\$25.0	\$ -	\$ -	\$ -	\$ -	\$25.0
Real Estate Conveyance Tax ¹	1.9	4.2	4.3	4.4	4.5	19.2
Total	\$26.9	\$4.2	\$4.3	\$4.4	\$4.5	\$44.2

\$ in millions; ¹Tax change effective Jan.1, 2022; FY 2022 is half year only

Housing Production Fund

- Housing Production Fund update
 - Currently awaiting HRC Coordinating Council meeting to establish parameters
 - Intended to focus on
 - Gap financing for site acquisition & development of low income up to 80% AMI
 - Flexible funding for extremely low income 30% AMI or less developments
 - Capital & capitalized operating support
 - Resources to locals to reduce barriers to production

Affordable Housing Background

- House Commissions - 2021 Session recess
 - Special Legislative Commission to Study Low and Moderate Income Housing Act
 - Three meetings so far in 2021: 8/17, 9/9, 9/23
 - Next meeting: 11/1/2021
 - Special Legislative Commission to Study The Entire Area of Land Use, Preservation, Development, Housing, Environment, & Regulation
 - Two meetings so far in 2021: 10/05, 10/28
 - Next meeting: 11/2/2021

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Affordable Housing Development

- Proposal adds \$15.0 million supplement to existing affordable housing funding programs
 - Enhanced gap financing
 - To supplement G.O. bonds, federal low income tax credits, new Housing Production Fund sources
 - Subsidy equal to the total project gap
 - Single application w/ Building Homes RI (BHRI)
 - Corresponds to ballot year approvals
 - BHRI: 2006, BHRI II: 2012; BHRI III: 2016; BHRI IV: 2021
 - Application also supports federal low income tax credits

Affordable Housing Development

- Assumes 3 rounds of obligations in FY 2022 of \$27.3 million each from 3 sources
 - Excludes state allocation of federal Low Income Housing Tax Credits (LIHTC) awards
 - To be spent over three years

Funding Source	Total	Est. Split
G.O Bonds - 2021 Ballot	\$50.0	\$16.7
Housing Production Fund	17.0	5.6
ARPA Funds	15.0	5.0
Total	\$82.0	\$27.3

\$ in millions

Affordable Housing Development: LIHTC

- Federal Low Income Housing Tax Credits
Credit values fixed to deliver 10-year subsidy
 - Proposal assumes incentivizing a shift from 9.0% LIHTC to 4.0% LIHTC program
- Subsidy computed consistent w/ federal law
 - Equals the present value of the tax credits divided by the qualified basis
 - Qualified basis roughly the cost of construction

Tax Credit	Est. 10-yr Net Present Value	Award Type
9.0%	70.0% property value, less land	Competitive
4.0%	30.0% property value, less land	Non-competitive

Affordable Housing Development: LIHTC

- Federal Low Income Tax Credits
 - 9.0% credit limited to state's annual allocation
 - FY 2021: \$3.2M (committed); FY 2022: \$2.8M
 - Both years are small state minimum
 - 4.0% credit use limited to RI Housing's tax-exempt bond cap set by Public Finance Management Board
 - Bonds issued by RI Housing; not a state obligation
 - Available for acquisition, new construction, rehabilitation
 - Automatically available to projects w/ 50% tax-exempt bond financing

Affordable Housing: G.O. Bonds

- In 2006, 2012, & 2016, voters approved total G.O. bond issuances of \$115.0 million for Affordable Housing
 - Additional \$10 million for blight remediation
- Voters in March 2021 approved new \$65.0 million G.O. bond issuance
 - Assumes unspecified amount for RI Housing Acquisition & Revitalization Program (ARP)
 - or “Blight”
 - EOC reports \$15.0 million

Affordable Housing G.O. Bonds

- 2012 & 2016 bonds specifically for
 - New construction & redevelopment of existing structures
 - 2016 included \$10.0 million for RI Housing Acquisition & Revitalization Program
 - \$4.0 million for residential development – 152 residential units: 147 rental
- 2006 bonds matching funds allocation
 - 80% for deferred loans for rental units
 - 20% for development of home owner units

Affordable Housing G.O. Bonds

FY	BHRI	G.O. Bond	Blight	Afford. Housing	Total Units	Rental	To Own
2006	I	\$50.0	-	\$50.0	1,226	1,077	149
2012	II	25.0	-	25.0	748	726	22
2016	III	50.0	(10.0)	40.0	1,248	1,220	28
2021	IV	65.0	(15.0)	50.0	<i>Not Yet Awarded</i>		
Total		\$190.0	(25.0)	\$165.0	>3,222	>3,023	>199

\$ in millions

- 2016 & earlier bonds committed; \$19.9 million awaiting disbursement to awardees from RI Housing

Affordable Housing G.O. Bonds

FY	2006	2012	2016
Pre-2013	\$50.0	\$ -	\$ -
2014	-	3.1	-
2015	-	6.3	-
2016	-	9.4	-
2017	-	3.1	-
2018	-	3.1	-
2019	-	-	6.5
2020	-	-	13.4
2021	-	-	1.1
2022	-	-	5.0
Total	\$50.0	\$25.0	\$26.0

- G.O. bond funds disbursed to RI Housing incrementally
 - ~\$14.0 million awaiting disbursement to RI Housing from state from 2016 issuance

\$ in millions

Affordable Housing Development

- Legislation cites: “\$15,000,000 shall be allocated under the administration of the Rhode Island Housing and Mortgage Finance Corporation to the development of affordable housing units”

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Site Acquisition

- Proposes \$12.0 million for RI Housing to continue its site acquisition program
 - For subsidies limited to property purchases
 - To secure site control for future development
 - Response to current competitive real estate environment
 - Allows developers additional time to assemble resources for redevelopment
 - Targeted for households up to 80% AMI
 - To provide project pipeline to be future candidates for affordable housing funding

Site Acquisition

- Governor Raimondo provided \$1.6 million from federal CRF for 2 properties during 2020
 - RI Housing authorized \$2.1 million for 3 sites
 - One property lost site control
 - Cost of another increased nearly 19%
 - For use as emergency shelters -COVID-19
Required commitment to subsequently use property as supportive housing

Site Acquisition

- Legislation cites “\$12,000,000 shall be allocated toward the acquisition of properties for redevelopment as affordable housing and supportive housing”

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Housing Stability

- Proposes \$1.5 million to assist 500 people experiencing homelessness
 - Housing navigation, stabilization & mental health services grants to providers
 - Estimate based on 1:15 case manager caseload
 - 500 above baseline; ~33 case managers
 - Existing network reportedly strained
 - Assumes 6 month implementation
 - through the end of FY 2022
 - Assumes provider training standards & policy support from BHDDH & RI Continuum of Care (RI CoC) during the interim

Housing Stability

- OHCD & RI COC to issue RFP
 - Under existing Consolidated Homeless Fund to existing/new providers
 - Anticipates working w/ BHDDH, EOHHS & “others” to supplement funding
 - \$1.2 million of grants for 500 = \$2,400/person
 - Assumes future requests for funding possible

Housing Stability	
Provider grants	\$1.2
Training Expenses	0.3
Total	\$1.5

\$ in millions

Housing Stability: Pay for Success

- 2021 Assembly authorized pilot program
 - EOHHS contracts w/ non-profit investors & service providers for 5 years
 - Contractors provide 125 individuals experiencing homelessness supportive housing & wrap around services
 - Capitalized w/\$6.0 million to repay investors if savings are achieved compared to baseline
 - Baseline outlays ~\$1.5 million annually = ~\$12,000/person

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Affordable Housing Capacity

- Proposes \$0.5 million to hire contracted staff for estimated 6 months
- OHCD's capacity to receive & process new/increased federal & other funding reportedly strained
 - 2021 Assembly provided \$125,000 & 1.0 new FTE
 - Additional financial reporting & administrative processing support for new pandemic-related federal grant activities – Posted June 2021; filled September 2021

Affordable Housing Capacity

- To provide administrative capacity for
 - Operations to ensure timing of contracting
 - Research & data
 - Stakeholder engagement
 - Program director for homelessness programs
 - Development programs director
 - Assist municipalities that identify & expedite housing development opportunities
 - 2-3 service & performance managers
 - For federal compliance & program goals achievement

Affordable Housing Capacity

- Legislation cites “\$500,000 shall be dedicated to expanding programmatic and administrative capacity for affordable housing in Rhode Island”

Issues to Consider

- Proposed legislative language provides broad flexibility on uses
 - Proposed allocations not binding
- Should there be specific limits on assistance or participants
 - Any other binding guidance
- Timeline
 - Design suggests minimum of three months before most assistance reaches targets
 - Potential ongoing funding issues

References

- Finance Committee Documents
 - <https://www.rilegislature.gov/Special/comdoc/Pages/HFIN.aspx>
- House Fiscal
 - Governor Proposal and Staff Analyses
 - <https://www.rilegislature.gov/housefiscalreport/Pages/hfreports2021.aspx>
- ARPA Task Force Materials
 - <https://www.rilegislature.gov/commissions/arpa/Pages/hmaterials.aspx>
 - Most documents from US Treasury

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