Women's Development Corporation
WDCHOC
Housing Opportunities Corporation

861A Broad Street, Providence, RI 02907 | 401-941-2900

March 4, 2025

The Honorable Stephen Casey
Chair, House Committee on Municipal Government & Housing
Rhode Island State House
Providence, RI 02903

Re: Opposition to House bill H5236, *Act Relating to Taxation – Levy and Assessment of Local Taxes*

Dear Chairman Casey:

Women's Development Corporation respectfully opposes House bill 5236, *Act Relating to Taxation – Levy and Assessment of Local Taxes*. This bill would significantly increase the tax rate on any property that is financed under the HUD 202 or 811 program or project-based Section 8 housing and that is utilizing an operating cost basis for federal reimbursement.

Current law requires that certain rent-restricted residential properties be taxed at a rate not to exceed 8% of the property's previous year's gross scheduled rental income. This statute is critically important to affordable housing developments whose value is restricted by the limits placed on the rents they can charge tenants.

House bill 5236 would increase the tax rate to 12% of the previous year's gross scheduled rent (a 50% tax increase) for properties that are part of the federal Section 202, Section 811 or project-based Section 8 program and which are "utilizing an operating cost basis for reimbursement". These programs serve some of the most vulnerable populations: seniors, disabled individuals and extremely low-income households.

Rent adjustments for these kinds of developments are almost always established through HUD's publication of annual statewide operating cost adjustment factors (OCAFs). Under some programs developments can instead request a budget-based rent increase to address increased operating costs, but it is extremely difficult to get HUD approval for such a request.

In fact, our recent attempts to increase rents on several of the 202 developments in our portfolio have met with resistance from HUD. Despite the evidence of inflationary cost increases and significant deferred maintenance needs, HUD approved only a partial increase in rents. This creates a challenge to the successful operations of these much-needed facilities, which continue to struggle with cost escalation that outpaces income.

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This bill could threaten the financial stability of existing affordable properties serving vulnerable populations. A 50% tax increase would force developments to make difficult financial decisions such as deferring critical maintenance or reducing services.

As one of the largest non-profit affordable housing development and property management companies in Rhode Island, this bill will have an outsized effect, putting more than 250 affordable senior units, as well as about 90 units of 811 for special populations and 250 units of section 8 family housing at risk. This represents approximately 50% of our 1200-unit portfolio.

The majority of the 202 and 811 properties were new construction or significant rehabilitations built from 1998 to 2004. At 20-26 years old, the developments have been struggling with unaddressed capital needs for years. The budget-based rent increase is the primary tool to raise funds to meet these deferred needs. The HUD process allows for rents to be increased in order to fund a replacement reserve designed to pay for the future capital needs on the property. By taxing this income, the properties would be penalized unnecessarily, and much needed repairs would not be made.

For 40 years, WDC has committed to the long-term stewardship of the units developed, having never sold a rental unit that we created. With that comes responsibility to ensure that the properties remain financially and physically viable. House bill H5236 threatens the very financial stability of nearly 500 units of housing for some of the most vulnerable Rhode Islanders.

For these reasons, I respectfully oppose H5236.

Sincerely,

Charlie Thomas-Davison
Director of Real Estate Development
Women's Development Corporation