



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:

SWAP, Inc. 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 is 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.

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

For these reasons, I respectfully oppose H5236.

Sincerely,

Marilyn Carlson, Deputy Director

SWAP, Inc.