



Senate Fiscal Office

Article 16
Relating to Housing
March 25, 2020

Article 16 – Overview

Establishes a comprehensive new framework for the development of housing in Rhode Island

Modifies the administrative, policy-making, and funding mechanisms related to affordable/workforce housing

Effective July 1, 2021 (Real Estate Conveyance Tax Changes effective January 1, 2022)

Article 16 – Overview (continued)

Reorganization of Housing Policy and Coordination

- Modifies the membership of both the Housing Resources Coordinating Committee (HRCC) and Housing Resources Commission (HRC) and elevates the Office of Housing and Community Development (OHCD).

Dedicated Funding for Housing

- Modifies allocation of real estate conveyance tax and increases the tax on the portion of real estate value over \$700,000. Additional revenue from these changes to be put in new Housing Production Fund.

Housing Incentives for Municipalities

- Creates a new incentive for municipalities to support and develop affordable housing by making school impact offset payments through RIHousing.

Article 16 – Fiscal Impact

Initiative	General Revenue		FY2022 Federal Funds		Housing Production Fund	
	Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
Real Estate Conveyance						
Tax Increase	-	-	-	-	\$1,719,412	-
Real Estate Conveyance						
Tax Reallocation	(1,293,796)	-	-	-	1,293,796	-
Housing Production						
Support*	-	-	-	-	-	2,598,731
New Housing Related						
Staff	-	262,051	-	125,228	-	-
Total	(\$1,293,796)	\$262,051	-	\$125,228	\$3,013,208	\$2,598,731

* Support includes funds for the HIM program.

Housing Policy and Coordination - Current

Rhode Island currently has a network of public and quasi-public entities responsible for housing policy development, planning, program administration, and financing:

- **RIHousing** - Official State-chartered housing finance agency
- **Housing Resources Commission (HRC)** – State’s principal organization for affordable housing policy, strategy, and coordination
- **Housing Resources Agency Coordinating Committee (HRACC)**: Three member committee charged with providing “coherence to the housing programs of the State and its departments, agencies, commissions, corporations, and subdivisions”
- **Office of Housing and Community Development (OHCD)** - Provides financial, operational support, and staffing for all programs administered by HRC, including rental assistance and homelessness programs. A unit administratively located in the Executive Office of Commerce

Housing Policy and Coordination – Article 16

RIHousing

Article 16 adds the executive director and chair of the HRC as ex-officio, non-voting commissioners to RIHousing's Board of Commissioners, increasing the total membership to nine.

Housing Policy and Coordination – Article 16

Housing Resources Commission - Membership

Article 16 streamlines and updates the HRC’s membership, reducing total members from 28 to 20.

Serves ex-officio

Gubernatorial appointment with advice and consent of Senate

Gubernatorial appointment only

† The representing appointees are to be drawn from the following: disability advocacy, homelessness, veterans, banking/lending, fair housing, education, healthy housing, health equity, business, public housing, for-profit/non-profit development, community development corporations, local government, senior housing, colleges/universities, realty, and homeownership advocates.

Housing Resources Commission (HRC)	
Current	Article 16 Proposed
DOA	RIHousing
DBR	Chair HRC
Elderly Affairs	Secretary of Commerce
DOH	Secretary of EOHHS
DHS	RI Continuum of Care/Agency
BHDDH	Agency or Political
RIHousing	Subdivision Rep.
Attorney General	Agency or Political
RI Bankers Assoc.	Subdivision Rep.
RI Mortg. Bankers Assoc.	Representing Appointee†
RI Realtors	Representing Appointee†
RI Homeless Coalition	Representing Appointee†
Assoc. of Housing Ex. Dir.	Representing Appointee†
RI Housing Network	Representing Appointee†
Operation Stand Down	Representing Appointee†
Community Develop Rep.	Representing Appointee†
Lead Abatement Rep.	Representing Appointee†
Local Planner	Representing Appointee†
Local Building Official	Representing Appointee†
Fair Housing Advocate	Representing Appointee†
Advocate for Minority Housing	Representing Appointee†
RI Builders Assoc.	Representing Appointee†
Insurer Rep.	
Community Develop Intermediary	
Non-profit Developer	
Senior Housing Rep.	
Citizen Rep.	
Citizen Rep.	

Housing Policy and Coordination – Article 16

Housing Resources Commission – Strategic Housing Plan

HRC currently required to develop a 5-year strategic plan for housing.

Includes quantified goals, measurable intermediate steps towards accomplishing those goals, implementation activities, and standards for the production and/or rehabilitation of year-round housing to meet the housing needs of the State.

Addresses the need for workforce housing as well as housing for seniors, students, low-income individuals, individuals with disabilities, and other vulnerable populations.

Article 16 changes the planning period from 5 years to 4. The plan currently on file with the State Planning Council expired in 2010.

Housing Policy and Coordination – Article 16

Housing Resources Commission – Executive Director and Staff

- HRC staffed by the OHCD and is headed by a Chief of Housing and Community Development who serves its executive director
- Article 16 transfers the appointing authority for the Executive Director to the Governor, with the advice of the HRC
- Executive Director “may also serve in the Executive Office of Commerce as the Deputy Secretary for Housing and Homelessness.”
- Budget authorizes a new 1.0 Deputy Chief of Staff/Policy FTE position within the Executive Office Commerce and \$262,051 in general revenue in FY2022, ostensibly to accommodate the Executive Director/Deputy Secretary post.

Housing Policy and Coordination – Article 16

Housing Resources Agency Coordinating Committee – Membership

Housing Resources Agency Coordinating Committee (HRACC)

Current

Chair of RIHousing
Chair HRC
Director - DOA
Ex. Dir - RIHousing

Article 16 Proposed*

Chair of RIHousing
Chair HRC
Secretary of Commerce
Secretary of EOHHS
Agency or Political Subdivision Rep.
Agency or Political Subdivision Rep.

Serves ex-officio

Gubernatorial appointment only

** Governor designates the HRACC Chair from among the entire membership*

Housing Policy and Coordination – Article 16

Housing Resources Agency Coordinating Committee – Powers and Duties

Under current law, the scope of the HRACC is very limited

Primarily responsible for articulating the fiscal and operational relationship between the HRC and RIHousing

Article 16 expands the scope - authorized to negotiate and enter into contracts and agreements with State agencies, political subdivisions, and non-profit and for profit corporations and other partnerships for the purposes of addressing housing and homelessness issues covered under the Rhode Island Housing Resources Act (RIGL 42-128).

Housing Policy and Coordination – Article 16

Division of Housing and Community Development

Article 16 elevates the Office of Housing and Community (OHCD) to a formal division within the Executive Office of Commerce. Responsible for administering housing, housing services, and community development programs including:

- Services for the homeless
- Rental assistance
- Community development
- Disaster assistance
- Outreach, education, and technical assistance
- Financial support to non-profits and community development organizations.

	FY2022		
DHCD	General Revenue	Federal Funds	HRCF
Personnel	\$705,281	\$706,355	\$34,734
Operating	228,838	47,769	4,408
Total	\$934,119	\$754,124	\$39,142
Authorized FTE Level		12.0	

Reporting

- DHCD is required to provide the Governor and General Assembly with annual reports on its activities and recommendations by March 1st of each year, beginning in FY2022.

New Dedicated Funding Stream for Housing Production

- Creates a restricted Housing Production Fund to support increased housing opportunities in Rhode Island
- Shifts a portion of the State's share of the real estate conveyance tax (RECT) to the new HPF
- Increases the tax on the portion of real estate valued above \$700,000 - all additional revenue goes to HPF

New Dedicated Funding Stream for Housing Production

Real Estate Conveyance Tax - Current

- Currently imposed on real estate transactions when property is conveyed to purchaser, and value of sale is greater than \$100.
- Tax rate = \$2.30/\$500
- FY2022 revenue estimate = \$15.9M
- Revenue shared b/w State and municipality in which property is located

Fund	Per \$500
State	\$1.20
<i>General Revenue</i>	0.60
<i>Distressed Communities</i>	0.30
<i>Housing Resources Commission Fund</i>	0.30
<i>Housing Production Fund</i>	-
Local Government	1.10
Total	\$2.30

New Dedicated Funding Stream for Housing Production

Article 16 Changes

- Shifts \$0.16 per \$500 from the general fund to the HPF.
- Increases the RECT on portion of real estate value over \$700,000
- Rate applied to this portion doubles from 0.46% to 0.92%
- Revenue from increase deposited into new Housing Production Fund(HPF)
- Used to increase housing opportunities across State (incl. production and renovation)
- Effective 1.1.22
- FY2022 revenue estimate = \$1.7 M
- FY2023 full-year estimate = \$3.8 M

Real Estate Conveyance Tax Distribution

Fund	Current	Article 16	
		Portion < \$700K Per \$500	Portion > \$700K Per \$500
State	\$1.20	\$1.20	\$1.20
<i>General Revenue</i>	0.60	0.44	0.44
<i>Distressed Communities</i>	0.30	0.30	0.30
<i>Housing Resources Commission Fund</i>	0.30	0.30	0.30
<i>Housing Production Fund</i>	-	0.16	2.46
Local Government	1.10	1.10	1.10
Total	\$2.30	\$2.30	\$4.60

Tax Liabilities of Various Real Estate Values

Real Estate Value	Tax Liability (Current)	Tax Liability (Article 16)	Change
\$350,000	\$1,610	\$1,610	0.0%
700,000	3,220	3,220	0.0%
900,000	4,140	5,060	22.2%
1,750,000	8,050	12,880	60.0%

Source: Office of Management and Budget

Housing Incentives for Municipalities

- Article 16 authorizes new program designed to encourage municipalities to establish new overlay zoning districts to promote affordable housing production
- Provides financial incentive for municipalities to participate by **providing payments to offset the additional costs of educating students** living in new affordable housing districts
- Budget does not include a specific appropriation in FY2022 for the payments. Payments are to be made out of the new Housing Production Fund
- **HRACC** is also authorized to provide municipalities with **technical assistance** for the preparation, adoption, or implementation of laws, regulations, or processes related to residential development

Housing Incentives for Municipalities - Administration

- **HRACC will administer incentive** and is charged with developing:
 - Rules and regulations,
 - Application criteria
 - Eligible locations for housing incentive districts
 - Minimum requirements for districts
 - Eligible students for the calculation of school impact offset payments, and the amount and method of payment to municipalities for school impact offset payments
- Authorized to provide municipalities with **technical assistance** and other support related to developing affordable housing
- Required to provide annual reports to the Governor and General Assembly

Housing Incentives for Municipalities – Incentive Districts

- Contain infrastructure and existing underutilized facilities
- Near public transit centers and concentrated development
- Must permit minimum residential uses
- May accommodate uses complimentary to residential use
- Majority of lots must be dedicated to housing
- May adopt zoning that encourages residential development

Article 16 does not infringe upon a municipality's zoning and permitting authority.

Housing Incentives for Municipalities – School Offset Payments

- Payments to help offset increased municipal costs of educating a student attending a school in newly constructed housing that would not otherwise have been built absent the housing incentive district zoning
- Based on Massachusetts program known as 40S
- HRCC to develop framework
- Payments to be made out of new HRCCF
- RIHousing to make the payments
- Article 16 is unclear regarding the duration of payment, whether they are transitional or permanent

Housing Incentives for Municipalities – School Offset Payments

Reimbursement
to Municipality



Cost of educating
a student living in
new housing
within housing
incentive district



% of new revenue
from housing
incentive district
that would
normally be used
for education
costs



Any increase in
state educational
aid resulting from
the student living
in the housing
incentive district