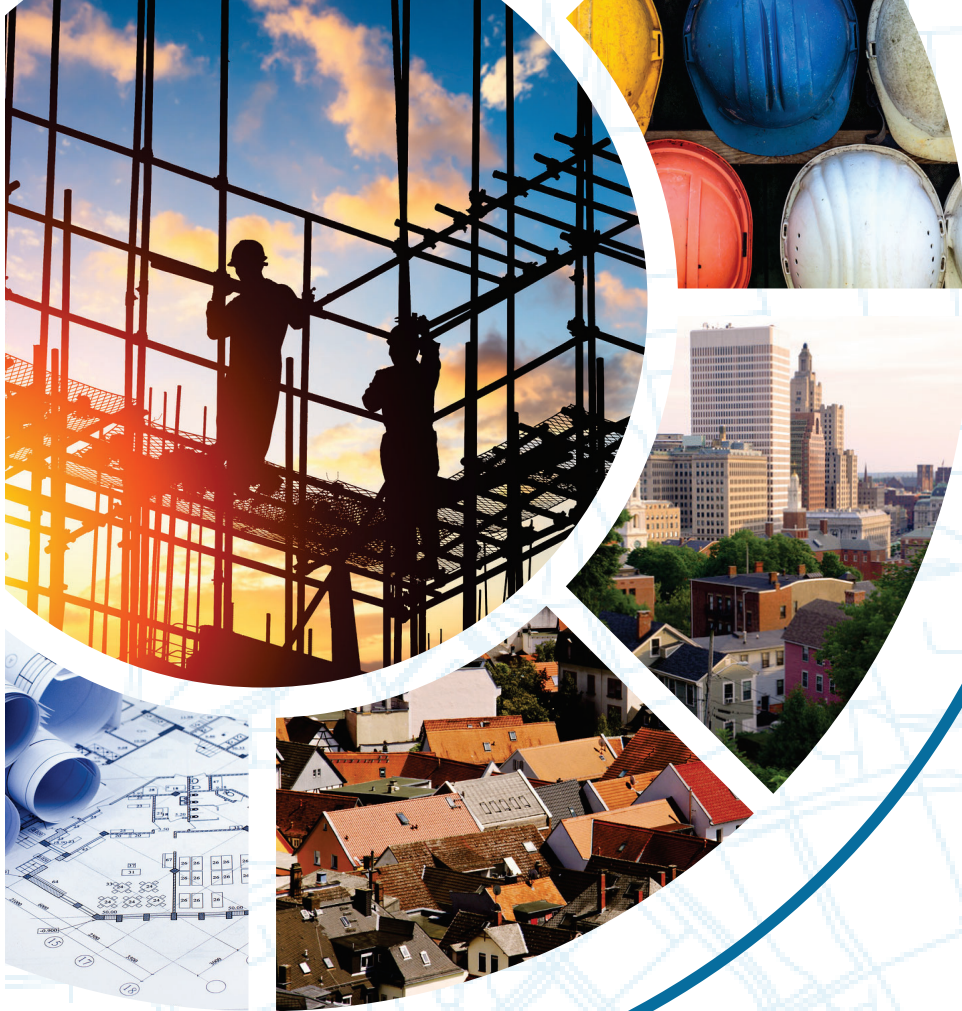




RIPEC



HOUSING POLICY IN RHODE ISLAND

*Analyzing recent investments
in affordable housing*

Executive Summary

Housing affordability has become one of Rhode Island's most pressing public policy challenges—an issue largely attributable to the lack of housing production and low levels of state investment over many years. This report surveys housing policy in Rhode Island, showing how federal policy has largely shaped the state's approach and how, more recently, the General Assembly has responded to the state's housing challenges with a number of initiatives, including a historic allocation from federal pandemic-era State Fiscal Recovery Funds (SFRF) and a \$120 million housing bond to be presented to the voters in November. The report analyzes Rhode Island's recent, large investment in housing, and particularly affordable housing production, and also provides an analysis of the pending housing bond referendum, including a projection of the number of affordable units likely to be produced.

Key Findings

- The **General Assembly made a historic investment of \$332.2 million in SFRF dollars** in housing beginning in 2022. This allocation represented 29.4% of SFRF funding received by the state—the second highest proportion among states.
- The **state invested \$244.7 million to support the new construction of 1,515 units** of affordable and middle-income housing. The average state subsidy per affordable unit was \$161,542.
- Affordable housing production programs were designed to be used in conjunction with each other and with other state funding sources. **Of the 42 developments receiving SFRF financing for production, 33 relied on multiple streams of state and federal one-time money.**
- The development of units for very low-income and low-income households was prioritized. **More than 70% of units were reserved for households at or below 60% area median income.**
- **Social and other goals supplemental to housing were favored in the funding of projects.** Twenty-five of 32 new construction developments contained at least one supplemental goal, such as restoring historic buildings or providing commercial space.
- **Mixed-income developments were not prioritized.** The majority of developments were either 100% affordable or 100% middle income, and of the mixed-income developments, more than two-thirds offered less than 25% of units for middle-income or market-rate households.
- **Project costs were de-emphasized.** Over half of the projects had total development costs of more than \$400,000 per unit, and three exceeded \$500,000 per unit.
- Based on its analysis of the most recent investment of SFRF and other funding, **RIPEC projects that the \$100 million slated for production from the \$120 million housing bond would produce 586 new affordable and middle-income housing units.** The total units produced from SFRF production programs, and the proposed bond together would increase the state's affordable housing stock by an estimated 2,170 units, an increase of 5.7%.

Recommendations

The state should expand its range of investments to include more middle-income and market-rate housing.

Rhode Island needs greater state investment in housing through a dedicated revenue source.

The state should explore mechanisms to improve returns on the state's investment of housing dollars.

The state should seek to reduce the complexity of its housing programs.

The state should develop innovative programs to tackle its housing shortage.

Table of Contents

Section	Page #
Acronym Glossary	4
I. Introduction	5
II. Scope of the Problem	6
Cost-Burdened Households and Comparative Housing Affordability	6
Home Prices and Rental Costs	7
Housing Production and Supply	8
III. Survey of Federal Housing Policy	11
Public Housing	11
Section 8	12
Low-Income Housing Tax Credits (LIHTC)	13
IV. Housing Policy in Rhode Island	19
Rhode Island’s Housing Institutions	19
State Housing Policies	21
State Spending on Housing Production	22
State vs. Federal Spending on Housing	24
Recent State Policy Developments	25
V. Analysis of SFRF Housing Investments	31
Rhode Island’s State Fiscal Recovery Funds Allocations to Housing	31
Analysis of SFRF Affordable Housing Programs—Methodology	38
SFRF Developments: Summary Analysis	39
SFRF Developments: State Subsidy vs. Weighted AMI Score	43
VI. 2024 Housing Bond	47
Governor’s FY 2025 Proposed Housing Bond	47
FY 2025 Housing Bond as Enacted	47
VII. RIPEC Comments	50

Acronym Glossary

ARP—Acquisition and Revitalization Program

ARPA – American Rescue Plan Act

AMI—Area Median Income

BHRI—Building Homes Rhode Island

CDBG—Community Development Block Grant

CRP—Community Revitalization and Home Repair Program

DAH-2—Development of Affordable Housing Program/Rhode Island Rebounds Production Fund

FY—Fiscal Year

GOHEIR—Governor’s Office of Housing, Energy, and Intergovernmental Relations

HCV—Housing Choice Voucher

HFA—Housing Finance Agency

HOME—Home Investment Partnership Program

HPF—Housing Production Fund

HRC—Housing Resources Commission

HUD—U.S. Department of Housing and Urban Development

IRS—Internal Revenue Service

LIHTC—Low-income Housing Tax Credit

MI—Middle-Income Loan Program

OHCD—Rhode Island Office of Housing and Community Development

PHA—Public Housing Authority

PPF—Priority Projects Fund

QAP—Qualified Allocation Plan

RIPEC—Rhode Island Public Expenditure Council

SFRF—State Fiscal Recovery Funds

THD – Targeted Housing Development Program

I. Introduction

Over the past few years, housing affordability has become a more pressing problem in Rhode Island, as in many states. Housing prices have jumped sharply, and approximately 150,000 households (nearly one-third of households statewide) are considered cost burdened, defined as spending more than 30.0 percent of income on rent or mortgage and utilities. While Rhode Island’s housing affordability challenges are primarily due to low levels of housing production over many years, there are other factors at play, including increases in the number of households, competition from higher-priced markets, and short-term rentals.

Housing only recently has become a major focus of policymakers in Rhode Island. Housing policy in the Ocean State historically has centered on administering federal housing programs, with relatively little in the way of state programs. However, in the last few years, the General Assembly has responded to the state’s housing challenges with the creation of a dedicated revenue stream for housing and the establishment of a new independent Department of Housing. The Assembly also dedicated a relatively large portion of the state’s allocation of federal pandemic-era State Fiscal Recovery Funds (SFRF) to housing and approved a \$120 million housing bond referendum for the ballot this November—the largest ever housing bond presented to the voters.

This report analyzes the relative effectiveness of the state’s recent, large investment in housing, and particularly housing production. Assessing statewide housing policy through an analysis of state spending of SFRF dollars—as well as historical, organizational, and policy analysis—this report projects what future investments will yield absent significant policy or economic changes and provides recommendations for policymakers. The report builds on RIPEC’s analysis of state housing programs published in reports on the state’s fiscal year (FY) 2024 enacted budget and the governor’s FY 2025 proposed budget.¹

There are seven sections in this report in addition to this introduction. Section II describes the scope of Rhode Island’s housing challenges in national and historical context. Section III surveys federal housing policy and programs, and Section IV illustrates how housing policy in Rhode Island has been shaped by federal policy. Section IV additionally details the limited number of housing programs Rhode Island has pursued historically, as well as recent state housing policy developments. Section V includes a comprehensive analysis of the pandemic-era federal SFRF funds committed by the Rhode Island General Assembly to housing beginning in FY 2022. Relying on this analysis, Section VI provides an examination of the pending housing bond referendum, projecting the number of affordable housing units likely to be produced if the referendum is approved by voters in November. The final section of this report provides RIPEC’s comments and recommendations for consideration by policymakers.

¹ RIPEC, [Rhode Island State Budget in Transition: Four Key Issues for FY 2025 and Beyond](#), January 2024; [The Governor’s FY 2025 Budget Proposal: A Transitional Budget as the State Faces More Constrained Revenues](#), May 2024.

II. Scope of the Problem

Housing represents one of Rhode Island’s most pressing public policy challenges. Many Rhode Islanders struggle to afford their mortgage or rent, and Rhode Island has a shortage of affordable homes, with one study estimating that over 24,000 additional affordable housing units would need to be produced to close the state’s gap in affordability.² Adding pressure, home prices are on the rise, pricing many out of the market altogether, and a tight rental market has led to rent increases. The lack of affordable housing has contributed to a spike in homelessness; since 2020, the number of people experiencing homelessness has increased from 1,104 to 2,442 (121.2 percent).³ This situation results largely from a lack of housing production over many years, connected with restrictive land use rules, as well as limited state investment to produce affordable housing units.

Rhode Island faces considerable housing challenges, but regional and historical context indicate that housing affordability challenges are not unique to the Ocean State, and by some measures, housing affordability has not grown markedly worse in recent years. While the housing problem in Rhode Island is more challenging than most states, it is not as burdensome as in neighboring Massachusetts and Connecticut. Moreover, housing costs in Rhode Island overall have not increased more rapidly than income, and the proportion of Rhode Island households considered to be cost burdened has not increased substantially over time. In addition, rising home prices and rents have delivered significant financial advantages to existing homeowners and landlords.

Cost-Burdened Households and Comparative Housing Affordability

Cost-Burdened Households

In Rhode Island, roughly 150,000 households (more than one-third of households statewide) were cost burdened in 2022—the most recent year for which data are available. Cost-burdened households included approximately 72,000 renter households (45 percent of all renters) and 78,000 homeowner households (28 percent of all homeowners).⁴ The data on the number of cost-burdened Rhode Islanders is mixed in terms of the problem’s trajectory; in 2012, more homeowner households were cost-burdened (35 percent) relative to 2022, but fewer renters were identified as cost burdened (nearly 70,000).⁵

Comparative Housing Affordability

Rhode Island’s housing affordability challenges are hardly unique among states, but by some measures are more acute. A 2024 study, found Rhode Island ranked 34th among states in housing affordability, with Connecticut and Massachusetts ranked in the bottom ten (41st and 46th,

² National Low Income Housing Coalition, [The Gap: Rhode Island](#), accessed August 5, 2024.

³ The Rhode Island Coalition to End Homelessness, [Point-in-Time Count: 2024](#), accessed September 10, 2024.

⁴ Rhode Island Foundation, [“Housing Supply and Homelessness in Rhode Island,”](#) April 2023.

⁵ HousingWorksRI, [2013 Housing Fact Book](#); [2023 Housing Fact Book](#).

respectively).⁶ However, Rhode Island compares relatively well to other states with respect to housing for extremely low-income renter households; in 2022, the state had the second-lowest percentage of cost-burdened extremely low-income households and was tied for fourth highest number of affordable and available rental homes per 100 extremely low-income renter households.⁷

Home Prices and Rental Costs

Home Prices

Rhode Islanders have experienced a dramatic rise in home prices in the last several years. The median price for a single-family home jumped from \$294,795 in 2018 to \$454,193 in 2023 (a 54.1 percent increase, or 10.8 percent average annual increase), and between 2022 and 2023, the state experienced the highest percentage increase in single-family housing prices of any state in the nation.⁸ While Rhode Island home prices are higher and growing at a faster pace than the nation, they are generally in line with the Northeast region; median single family home prices in all New England states are near or above \$400,000, with median prices in Massachusetts exceeding \$600,000.⁹

While increasing home prices in Rhode Island present a challenge for those looking to enter the housing market, it creates an advantage for many existing homeowners given that wealth is generated when home prices increase. Additionally, income growth outpaced housing costs for Rhode Island homeowners in recent years; from 2017 to 2022, incomes of homeowners increased at a five-year average annual rate of 5.3 percent, while housing costs increased at an average annual rate of 3.0 percent.¹⁰

Rental Costs

Rhode Island is experiencing a relatively tight rental market and an increase in rental costs. Rhode Island's 2023 rental vacancy rate was 3.7 percent, well below what studies consider to be a healthy vacancy rate (5.0 to 8.0 percent), and below both the national rate of 6.6 percent and the Northeast average of 4.3 percent.¹¹ This constrained rental market has contributed to some comparatively large

⁶ The study calculates housing affordability through an assessment of the cost of housing against the money people have available, then compares state costs to nationwide costs. U.S. News & World Report, [Best States 2024: Housing Affordability](#).

⁷ Extremely low-income renters have incomes at or below 30.0 percent AMI. National Low Income Housing Coalition, [The Gap: Shortage of Affordable Homes](#).

⁸ Federal Reserve Bank of St. Louis, [Zillow Home Value Index: Rhode Island](#), accessed August 6, 2024. Values reported are December prices. Statista, [Annual Home Price Appreciation by State: 2023](#); RIPEC calculations.

⁹ The median price of a single-family home sold in the U.S. was \$355,659 in 2023, up 50.6 percent since 2018. Rhode Island is the third most expensive state in New England, behind Massachusetts and New Hampshire. Prices reported are from December. Federal Reserve Bank of St. Louis, Zillow Home Value Index: [United States](#); [Massachusetts](#); [Connecticut](#); [New Hampshire](#); [Vermont](#); [Maine](#), accessed August 6, 2024; RIPEC calculations.

¹⁰ U.S. Census Bureau, [American Community Survey \(ACS\) Financial Characteristics: Rhode Island](#), accessed September 11, 2024; RIPEC calculations use 1-year ACS estimates.

¹¹ Kenneth Rosen and Lawrence Smith, "[The Price-Adjustment Process for Rental Housing and the Natural Vacancy Rate](#)," *The American Economic Review*, September 1983; Roy Ruivo, "[Determinants of Rental Rates in Major Cities in the United States](#)," *Empirical Economic Bulletin*, September 2010; Federal Reserve Bank of St. Louis, [Rental Vacancy Rate: United States](#), accessed August 6, 2024; [Rental Vacancy Rate: Northeast Census Region](#), accessed August 6, 2024; [Rental Vacancy Rate: Rhode Island](#), accessed August 6, 2024; Massachusetts has a lower vacancy rate (2.5 percent) than Rhode Island. [Rental Vacancy Rate: Massachusetts](#), accessed August 6, 2024.

increases in rental prices in parts of the state. From March 2023 to March 2024, median rents in the Providence Metro Area increased 16.2 percent, the highest jump of any metropolitan area in the country.¹²

However, rents do not appear to be increasing at such high rates across the state overall. From 2017 to 2022, rental costs in Rhode Island increased at an average annual rate of 5.0 percent. In similarity to homeowners, renter income appears to be outpacing rental costs. During the same five-year period, renter incomes increased at an average annual rate of 8.2 percent.¹³

Housing Production and Supply

Rhode Island's spike in home prices and tight rental market are due in part to an inadequate supply of existing housing and limited levels of new housing production. Rhode Island historically has lagged the nation in terms of housing production. Among states, the Ocean State ranked 38th in per capita net housing production between 2012 and 2021, and in 2021—the most recent year for which data are available—Rhode Island ranked last in the nation.¹⁴ In terms of affordable housing units, only about 215 units per year were produced or maintained through Building Homes Rhode Island (BHRI), the state's primary affordable housing production program, between 2006 and 2020.¹⁵

State Spending

Rhode Island has invested relatively little state funding toward affordable housing. The state's BHRI and Acquisition and Revitalization (ARP) programs have been exclusively funded through general obligation bonds, issued separately in 2006, 2011, 2016, and 2021 and collectively totaling \$190.0 million, averaging \$9.5 million per year.¹⁶ The state additionally dedicates revenue from a conveyance tax on high-end real estate transactions to housing production (projected to produce \$4.8 million in FY 2024).¹⁷ These limited sources of funding for affordable housing left Rhode Island well behind most states in the New England region. Between FY 2015 and FY 2022, average annual spending on housing in Rhode Island was \$145 per capita, second lowest among New England states and well behind both neighboring Connecticut (\$607 per capita) and Massachusetts (\$858 per capita).¹⁸

¹² As further evidence of rents increasing a relatively lower rate, from 2018 to 2023, the average two-bedroom monthly rent increased from \$1,734 to \$1,887, a five-year average annual increase of 1.8 percent. RIHousing, [Annual Rent Survey: 2023](#). The Providence metro area contains large portions of the State of Rhode Island and surrounding areas in Massachusetts. For a complete list see RIHousing, [FY 2024 Rhode Island Income Limits for Low-and Moderate-Income Households](#), accessed September 30, 2024; Anthony Gardner, "[The Rent Report](#)," *Rent Research*, April 2024.

¹³ U.S. Census Bureau, [ACS Financial Characteristics: Rhode Island](#), accessed September 11, 2024; RIPEC calculations.

¹⁴ Rhode Island Foundation, "[Housing Supply and Homelessness in Rhode Island](#)," April 2023.

¹⁵ HousingWorksRI, "[Building Homes Rhode Island Status Report: Years of Accomplishment](#)," July 2020. A full assessment of the BHRI program is unfeasible based on publicly available information, which is incomplete, lacks sufficient detail, and contains inaccuracies. R.I. OHCD, [Building Homes Rhode Island](#), accessed September 17, 2024.

¹⁶ Of these funds, \$165.0 million went to the BHRI program, with the remaining \$25.0 million going to the ARP. Ibid.

¹⁷ R.I. OMB, [FY 2024 Operating Budget: Technical Appendix](#).

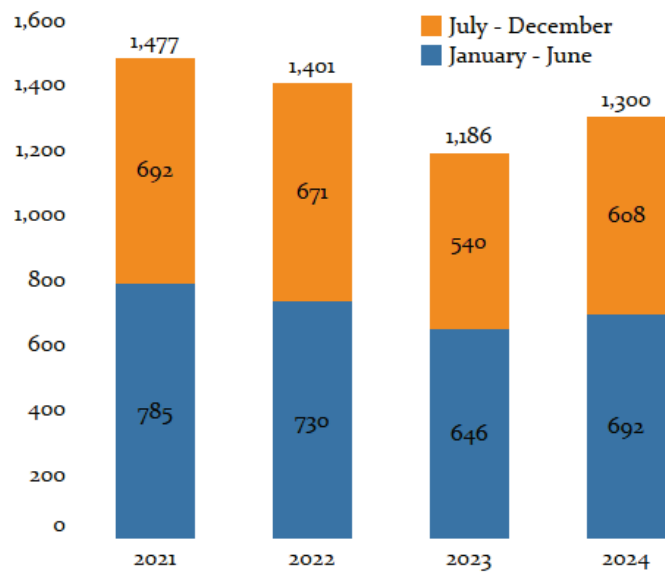
¹⁸ R.I. Foundation, "[Housing Supply and Homelessness in Rhode Island](#)," April 2023.

Land Use Restrictions

Rhode Island's slow production rates are also the product of the state's relatively restrictive land use environment, which limits housing development.¹⁹ A national 2023 study ranked Rhode Island 41st out of 50 states (9th worst) in terms of the strictest land use regulations.²⁰ Rhode Island had the lowest rate of total housing permits issued per 1,000 residents in the country over the last ten years and ranked last in the country in 2023.²¹ Massachusetts and Connecticut also ranked near the bottom among states for land use restrictions (46th and 47th, respectively), but produced significantly more housing permits per capita than Rhode Island (respectively 52.8 percent and 44.5 percent more permits per capita).²²

The Rhode Island General Assembly recently has passed a number of reforms relating to land use, but to date it is unclear if those efforts are changing the trajectory of housing permitting across the state.²³ Figure 1 depicts statewide housing permits issued for each half year beginning in 2021. For the first half of 2024, 692 permits were issued statewide, a 7.1 percent increase over the 646 permits issued for the same period in 2023, but 5.2 percent less than the 730 permits issued for the first half of 2022 and 11.9 percent less than the 785 permits issued for the first half of 2021.²⁴

Figure 1
Building Permits Issued Statewide
2021 - 2024, Actual and Projected



Note: 2024 July-December represents a projected figure based on 2021-2023 July-December data
Source: U.S. Census, Building Permits Database; RIPEC calculations

Additional Supply Challenges

Outside of sluggish housing production and permitting, Rhode Island faces additional challenges that affect housing affordability across the state. While the state's population is relatively stable, the number of households grew by approximately 33,000 between 2010 and 2022, as household sizes of

¹⁹ Christina Stacy, "[Land-use reforms and housing costs: Does allowing for increased density lead to greater affordability?](#)" *Urban Studies*, March 2023; John Landis, "[Do Restrictive Land Use Regulations Make Housing More Expensive Everywhere?](#)" *Economic Development Quarterly*, October 2021; Nicholas Marantz, "[Promoting Housing Affordability by Making Cities Smarter About Land-Use Regulation.](#)" *Housing Policy Debate*, August 2020.

²⁰ CATO Institute, "[Freedom in the 50 States: Land-Use Freedom](#)," accessed August 21, 2024.

²¹ Statista, "[New Residential Construction Per Capita: 2023](#)," accessed August 6, 2024.

²² Ibid. RIPEC calculations.

²³ R.I. Division of Statewide Planning, "[Summary of the 2023 Legislative Session.](#)"

²⁴ U.S. HUD, "[SOCDS Building Permits Database](#)," accessed August 6, 2024.

owner-occupied units decreased.²⁵ Rhode Island’s housing market also has been affected by rising home prices in nearby states like neighboring Massachusetts. From 2018 to 2023, home sales by out-of-states buyers in Rhode Island increased 21.2 percent (from 19.3 percent of total sales in 2019 to 23.4 percent in 2024), with roughly 75 percent of out-of-state buyers from Massachusetts in 2024.²⁶ Moreover, the age of Rhode Island’s housing stock presents a challenge to growing the supply of housing—as of 2021, Rhode Island had the third oldest housing stock in the nation.²⁷ Finally, Rhode Island continues to lose housing stock to short-term rentals, which have increased from 2,758 in 2018 to roughly 5,009 in 2024 (81.6 percent increase)²⁸

²⁵ U.S. Census Bureau, [Populations and People: Rhode Island 2022](#), accessed August 7, 2024; “[Rhode Island: 2010 Summary Population and Housing Characteristics](#),” July 2012.

²⁶ Rhode Island Association of Realtors, “[Residential Property Sales from Out-of-State Buyers](#),” 2021; “[R.I. Homes Continue to Fly off the Market in Second Quarter](#),” August 2, 2024. RIPEC calculations.

²⁷ Rhode Island Foundation, “[Housing Supply and Homelessness in Rhode Island](#),” April 2023.

²⁸ R.I. Department of Business Regulation, [Short-Term Rental Online Lookup](#), accessed September 30, 2024; University of Rhode Island, “[Short-Term Rentals in Rhode Island](#),” 2018. Rhode Island has 483,474 units of housing. The total number of short-term rentals (5,009) represents 1.0 percent of the total housing stock. U.S. Census Bureau, [Rhode Island](#), accessed September 19, 2024. RIPEC calculations.

III. Survey of Federal Housing Policy

Modern housing policy in the United States began with the federal government's production of public housing in response to the Great Depression and evolved over time to our current system of private housing developments overseen by state and local agencies and funded primarily with federal tax credits. This public-private shift—where state housing finance agencies (HFAs), local public housing authorities (PHAs), and private developers became the primary actors responsible for delivering housing services—took place over several decades.

Public Housing

During the Great Depression, the United States faced an unprecedented housing crisis.²⁹ The Housing Act of 1937 first established the federal government's predominant role in producing affordable housing. Under this legislation, public housing properties were financed by federal grants and built and owned by state-chartered and locally governed PHAs—quasi-governmental agencies tasked with managing public housing projects. The operations of these public housing projects were sustained by rent paid by tenants, but to prevent competition with the private market, income and rental limits were set for those living in public housing.³⁰ Rental limits changed over time and in 1981 were set at 30.0 percent of a household's income.³¹ The standard used to measure housing affordability today comes from these rental limits established in public housing programs.

Several factors led to the decline of public housing as the predominant federal mechanism to provide affordable housing. The income and demographic characteristics of public housing tenants changed dramatically during the 1950s and 1960s. The earliest public housing units of the 1940s gave preference to those working on the war effort and the households occupying public housing were predominantly white and earned modest incomes. As income restrictions became more stringent in the late 1940s, tenants of public housing became increasingly poor and non-white.³² The Housing Act of 1954 also contributed to these changes by authorizing the financing of public housing in peripheral areas of many major cities, which both isolated and helped to stigmatize public housing developments.³³ By the end of the 1960s, the first public housing units had been in service for more than 20 years and were falling into disrepair. The combination of income and demographic characteristics of households, the overall poor condition of the housing itself, and the geographic

²⁹ Residential wealth dropped 25.7 percent between 1929 and 1932, which led to 248,700 non-farm housing mortgage foreclosures by the end of that period. By 1934, almost half of all urban home mortgages were delinquent, and the country experienced 1,000 foreclosures a day. David C. Wheelock, 2008, "[Changing the Rules: State Mortgage Foreclosure Moratoria During the Great Depression](#)," *Federal Reserve Bank of St. Louis Review*, 90:6; Kenneth A. Snowden, "[Anatomy of a Residential Mortgage Crisis](#)," *National Bureau of Economic Research*, July 2010.

³⁰ The Housing Act of 1937 set income limits at five times the rent (and six times for larger families). The 1949 Housing Act additionally required that rents be set at 20.0 percent below the prevailing market rate. Congressional Research Service, "[Introduction to Public Housing](#)," February 2014.

³¹ HUD Office of Policy Development and Research, "[Defining Housing Affordability](#)," August 2017.

³² The proportion of public housing recipients on some form of public assistance increased from 29 percent to 46 percent and the proportion who were non-white increased from 36 percent to 46 percent. Elizabeth Wood, "[The Beautiful Beginnings, The Failure to Learn: Public Housing in America](#)," *National Center for Housing Management*, October 1982.

³³ D. Bradford Hunt, "[How Did Public Housing Survive the 1950s?](#)" *Journal of Policy History*, 17:2, 2005; Congressional Research Service, "[Introduction to Public Housing](#)," February 2014.

isolation of the housing in parts of cities associated with crime led to growing opposition to public housing.³⁴

By the early 1970s, support for the federal-dominant model had substantially declined.³⁵ In 1973, President Nixon announced a complete moratorium on virtually all new public housing contracts, and by the 1980s the number of public units began to shrink through destruction or conversion to the private market.³⁶ While the production of new public housing was essentially finished, the Faircloth Amendment of 1998 limited the ability of the U.S. Department of Housing and Urban Development (HUD) to fund public housing construction.³⁷

The number of public housing units nationwide has declined from a peak of 1.5 million in the 1980s, to 1.1 million this year. Today, public housing provides homes for 2.2 million residents, of which nearly half (44.0 percent) are elderly or disabled. The average household income of a PHA resident is \$17,135, with residents paying an average monthly rent of \$362.³⁸

Section 8

One of the programs that replaced public housing was Section 8, created in 1974. This program provided rental assistance for low-income tenants renting from private landlords and authorized PHAs to cover the difference between a unit's market rent and what the tenant could afford. The Section 8 program quickly began to outpace public housing as the predominant means of delivering affordable housing to low-income Americans.³⁹ The Reagan Administration added a voucher component to Section 8 in 1985 allowing tenants to live in units exceeding the HUD-approved market rent if they paid the difference out-of-pocket.⁴⁰ Section 8 is not an entitlement program, and funding available to support the program is subject to appropriation. As a result, many who qualify for Section

³⁴ Emily Badger, "[How Section 8 became a 'racial slur': a history of public housing in America](#)," *Washington Post*, June 15, 2015.

³⁵ Critiques against public housing were spelled out in HUD's 1971 Annual Report on National Housing Goals. Charles Orlebeke, 2001, "[The Evolution of Low-Income Housing Policy, 1949 to 1999](#)," *Housing Policy Debate* 11:2; Richard Nixon, "[Message to the Congress Transmitting Annual Report on National Housing Goals](#)," *The American Presidency Project*, June 29, 1971.

³⁶ This move reduced the production of units to just 37,000 reservations—a commitment to build or put a unit of affordable housing under contract—for new public housing units from 1974 to 1979. Congressional Research Service, "[Introduction to Public Housing](#)," February 2014; Charles Orlebeke, 2000, "[Low-Income Housing Policy](#)," *Housing Policy Debate*, 11:2; Congressional Research Service, "[Trends in Funding and Numbers of Households in HUD-Assisted Housing: Fiscal Years 1974-1984](#)," February 1988.

³⁷ HUD was prohibited from funding projects if they lead to a net increase in the total number of public units a public housing authority currently owned or operated. U.S. Office of Public & Indian Housing, "[Faircloth Limit](#)," June 2020.

³⁸ U.S. HUD, [Public Housing Data Dashboard](#), accessed July 22, 2024.

³⁹ From 1974 to 1979, the Section 8 program averaged 275,000 reservations for new Section 8 units, compared to just 37,000 reservations for new public housing units. Congressional Research Service, "[Introduction to Public Housing](#)," February 2014; Charles Orlebeke, "[Low-Income Housing Policy](#)," *Housing Policy Debate*, 11:2, 2000.

⁴⁰ The voucher component became permanent in 1988. *Ibid.*

8 do not receive a voucher because of lack of funding.⁴¹ It is not unusual for households to wait years for a housing choice voucher (HCV).⁴²

Low-income Housing Tax Credits (LIHTC)

One of the largest programs used to finance affordable housing developments is the Low-Income Housing Tax Credit (LIHTC). Created by the Tax Reform Act of 1986, the federal LIHTC program utilizes tax credits to incentivize the production and rehabilitation of affordable housing projects by private developers. Under the LIHTC program, the Internal Revenue Service (IRS) distributes tax credits to state HFAs, which oversee the program.⁴³ Credits are made available to projects where a minimum of 20.0 percent of the units are affordable for those making less than 50.0 percent of the area median income (AMI), or alternatively where a minimum of 40.0 percent of the units are affordable to households earning 60.0 percent or below of AMI.⁴⁴ Rental limits are set by HUD, but a tenant may pay more than 30.0 percent of their household income.⁴⁵

Area Median Income (AMI)

AMI is an important metric in determining which households qualify for income-restricted affordable housing units. Income limits tied to AMI govern eligibility for not only the LIHTC program but various other federal housing programs.⁴⁶ Each year, HUD calculates the income limits for program eligibility using information from the Census Bureau's American Community Survey, adjusted for inflation.⁴⁷ The calculation begins with determining the median income of a family of four, with income limits set at percentages of this amount—ranging from 30.0 percent to 80.0

⁴¹ Congressional Research Service, "[An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance](#)," February 2014.

⁴² Center on Budget and Policy Priorities, "[Families Wait Years for Housing Vouchers Due to Inadequate Funding](#)," July 2021. In 2024, Congress has appropriated \$28.55 billion for HCVs under the Section 8 program, for 2.7 million units at an average per unit cost of \$1,008 a month. U.S. Office of Public and Indian Housing, "[Housing Choice Voucher Data Dashboard](#)," accessed July 22, 2024.

⁴³ State HFAs are state-chartered organizations created to meet the affordable housing needs of citizens. Most HFAs are quasi-governmental entities that are financially independent, with a gubernatorially-appointed executive director and board of directors. HFAs oversee many federal housing programs including among others the LIHTC, HOME Investment Partnership, and Private Activity Bonds. National Council of State Housing Agencies, "[State Housing Finance Agencies: At the Center of the Affordable Housing System](#)," March 2021.

⁴⁴ This is often referred to as the 20/50 or 40/60 rule. The Consolidated Appropriations Act of 2018 amended this standard so that households earning up to 80.0 percent AMI are allowed in LIHTC-assisted units if the average income of all households is 60.0 percent of AMI or below. Urban Institute, "[The Low-Income Housing Tax Credit: How it Works and Who It Serves](#)," July 2018.

⁴⁵ To determine this, low-income housing projects must meet the "gross rents test" by ensuring the rents including utilities do not exceed 30.0 percent AMI. Individual households may end up paying more than 30.0 percent of their income, however. For example, a household with an income of 50.0 percent AMI may rent a unit that is restricted to 60.0 percent AMI and as a result pay more than 30.0 percent of their income. Congressional Research Service, "[An Introduction to the Low-Income Housing Tax Credit](#)," April 2023; Corporation for Supportive Housing, "[Understanding Low Income Tax Credits](#)," March 2006.

⁴⁶ Programs include the Section 8 Housing Choice and Project-Based Voucher programs, the Section 202 housing for the elderly program, the Section 811 housing for persons with disabilities program, and the HOME Investment Program. HUD, "[Methodology for Determining FY 2024 Section 8 Income Limits; HOME Income Limits](#)," accessed August 28, 2024.

⁴⁷ There is a gap between when ACS data are collected and released, so AMI levels for a particular fiscal year come from earlier ACS data. This requires an inflation adjustment. Urban Institute, "[Calculating AMI: How Calculation of Area Median Income Affects Housing Policy](#)," September 2023.

percent. The amount is then adjusted by household size, ranging from a one- to eight-person household.⁴⁸ Figure 2 depicts area median income limits by household size for Rhode Island for FY 2024.

Figure 2
Rhode Island Income Limits for Low- and Moderate-Income
Households by Household Size
FY 2024

% AMI	Household Size							
	1	2	3	4	5	6	7	8
30%	\$ 23,650	\$ 27,000	\$ 30,400	\$ 33,750	\$ 36,450	\$ 39,150	\$ 41,850	\$ 44,550
50%	\$ 39,400	\$ 45,000	\$ 50,650	\$ 56,250	\$ 60,750	\$ 65,250	\$ 69,750	\$ 74,250
60%	\$ 47,280	\$ 54,000	\$ 60,780	\$ 67,500	\$ 72,900	\$ 78,300	\$ 83,700	\$ 89,100
80%	\$ 63,000	\$ 72,000	\$ 81,000	\$ 90,000	\$ 97,200	\$ 104,400	\$ 111,600	\$ 118,800
100%	\$ 78,750	\$ 90,000	\$ 101,250	\$ 112,500	\$ 121,500	\$ 130,500	\$ 139,500	\$ 148,500
120%	\$ 94,560	\$ 108,000	\$ 121,560	\$ 135,000	\$ 145,800	\$ 156,600	\$ 169,300	\$ 178,200

Note: AMI is area median income; Rhode Island has three additional geographic areas used to calculate income limits: Providence--Fall River Metro; Westerly, Hopkington, and New Shoreham; and Newport, Portsmouth, Middletown
Source: RIHousing

Generally, units of housing affordable to incomes at or below 80.0 percent AMI are considered affordable units.⁴⁹ Units affordable to those between 80.0 percent and 120.0 percent AMI are considered middle-income units—sometimes referred to as workforce housing.⁵⁰ Lastly, units affordable to households making above 120.0 percent AMI are classified as market-rate housing.⁵¹

9.0 and 4.0 Percent LIHTC

The federal LIHTC program is used for the construction of new or the preservation of existing rental units of affordable housing and acts as an indirect subsidy to an affordable housing developer. Under the program, a developer receives a tax credit which provides a dollar-for-dollar reduction in federal tax liability over ten years.⁵² The rules governing the federal LIHTC program are complex, and it takes many actors to execute a transaction. Figure 3 provides a simplified explanation of the LIHTC

⁴⁸ For example, a household with two persons is considered to have 80.0 percent of the income of a household with four persons. U.S. HUD, [Methodology for Determining FY 2024 Section 8 Income Limits](#).

⁴⁹ HUD defines those making at or below 80.0 percent AMI as low-income households, those making at or below 50.0 percent AMI as very low-income households, and those at or below 30.0 percent AMI as extremely low-income households. U.S. HUD, [“What is Area Median Income?”](#) June 2023.

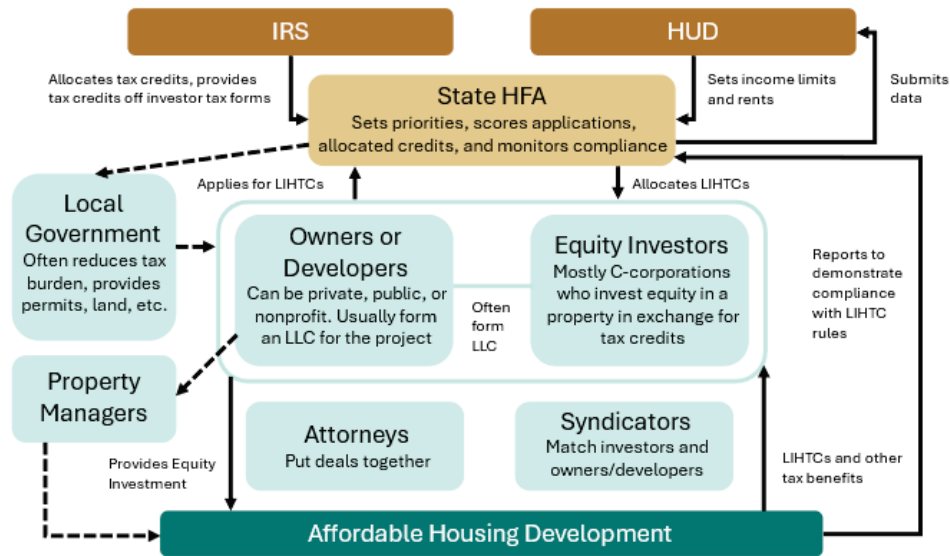
⁵⁰ U.S. HUD, [“Who Finances Workforce Housing?”](#) December 2022.

⁵¹ U.S. HUD, [“What is Market-rate Housing?”](#) February 2023.

⁵² For example, a state HFA will issue a tax credit of \$1.0 million to a developer, this credit is redeemable every year for ten years, bringing the total value to \$10.0 million over the life of the credit. The developer will then sell the tax credit for capital at a price determined by the equity market for such credits. The current market value of one dollar of federal LIHTC is \$0.88 but equity value has varied over the last five years from a low of \$0.87 in December 2023 to a high of \$0.94 in March 2023. The equity market for LIHTC has a substantial effect on the amount of equity generated for a project. Novogradac, [“LIHTC Equity Pricing Trends,”](#) March 2024.

program at work.⁵³ There are two types of LIHTCs available to developers—9.0 percent and 4.0 percent credits—each with different applicable rules.⁵⁴

Figure 3
The Structure of a LIHTC Deal



Note: Each color denotes one of the four layers of a LIHTC deal: the federal government (dark brown), the states (light brown), the project developers (light green), and the project itself (dark green). Solid lines indicate a component common to all LIHTC projects and dotted lines indicate more complex partnerships that may or may not exist depending on how the deal is structured.

Source: Adapted from Corianne Payton Scally, Amanda Gold, and Nicole DuBois, “[The Low-Income Housing Tax Credit: How It Works and Who It Serves](#),” *Urban Institute*, July 2018.

9.0 Percent LIHTC

9.0 percent LIHTCs are allocated annually by the IRS to states, which then award them to eligible developments through a highly competitive process.⁵⁵ The federal LIHTC program requires that every state HFA that allocates tax credits have a Qualified Allocation Plan (QAP), which establishes the state’s criteria for awarding federal tax credits to affordable housing developments. These criteria must meet federal guidelines and give preference to projects that serve residents with the lowest income, projects with the longest period of affordability, and projects that are in qualified census tracts (if the project is part of a community revitalization plan).⁵⁶

⁵³ Figure refers to both 4.0 and 9.0 percent LIHTCs.

⁵⁴ Corporation for Supportive Housing, “[Understanding Low Income Tax Credits](#),” March 2006.

⁵⁵ Urban Institute, “[The Low-Income Housing Tax Credit: How it Works and Who it Serves](#),” July 2018. The amount of 9.0 percent tax credits issued to state HFAs are distributed on a per capita basis (\$2.90 per capita in FY 2024) or through a small state minimum allocation (\$3.36 million in 2024), whichever is greater. Affordable Housing Finance, “[IRS Boosts LIHTC, Bond Caps for 2024](#),” November 2023. The 9.0 percent LIHTC are adjusted yearly for inflation. Novogradac, “[LIHTC Per-Capita Multiplier Increases for 2024](#),” November 2023.

⁵⁶ The QAP must also address: (1) location; (2) the housing needs of the state; (3) public housing waiting lists; (4) families or individuals with children; (5) populations with special needs; (6) whether the project includes the rehabilitation of existing housing as part of a community revitalization plan; (7) developer characteristics; (8) projects intended for eventual

4.0 percent LIHTC

The 4.0 percent LIHTC calculates the amount of tax credits a project is eligible to receive the same way as the 9.0 percent credit but has several important differences.⁵⁷ Four percent LIHTCs are designed for new construction projects and to be paired with tax-exempt bonds—often called “private activity bonds.” The tax credits and bonds typically finance at least 50.0 percent of the project’s development costs. The 4.0 percent tax credits also may be used in conjunction with private activity bonds for the acquisition of existing buildings for rehabilitation.⁵⁸ If a project meets the minimum proportion of affordable units, 4.0 percent tax credits are automatically awarded by right and are only limited by a state’s volume cap—the amount of tax-exempt private activity bonds a state may issue.⁵⁹ Since the awards are non-competitive, the 4.0 percent credit differs greatly from the 9.0 percent credit. Also, since the credit is only limited by the state’s volume cap, there is virtually no limit to the amount of 4.0 percent tax credits the project can generate. While the amount of equity is not capped, the 4.0 percent credit normally only produces enough capital to generate 30.0 percent of the qualified basis of a development.⁶⁰

Capital Stack Model

Since neither the 9.0 percent nor 4.0 percent LIHTC are sufficient to fully fund a qualifying affordable housing development, such projects are primarily financed by assembling a capital stack. Separate sources of capital are “stacked” together until they reach a level where a project becomes financially feasible. A typical market-rate development generally includes two sources of financing in its capital stack—private equity and debt. The amount of debt a developer can assume is based on the amount of revenue that tenant rental payments can generate less expenses. For a for-profit developer, a project makes financial sense when the cash generated from rents can cover the debt and produce an appropriate rate of return on the equity invested.⁶¹

In contrast to a market-rate development, affordable housing projects must find various forms of capital to subsidize the gap between the rents needed to support the project financially and rents affordable to lower income households. The lower the income of the target renter in an affordable housing project, the larger the subsidy required, and generally the more complicated the financing

tenant ownership; (9) energy efficiency; and (10) historic nature. Federal requirements connected with the award of 9.0 percent credits operate only as minimum criteria. A state HFA may include additional requirements. National Low Income Housing Coalition, “[Qualified Allocation Plan](#)”; “[Low-Income Housing Tax Credits](#),” 2017.

⁵⁷ The amount of credit is calculated by determining the project’s eligible basis multiplied by the applicable fraction then multiplied by the appropriate tax credit rate, either 9.0 or 4.0 percent. Developments may receive a 30.0 percent bonus in credits if they build in a qualified census tract. *Ibid.*

⁵⁸ Private activity bonds are debt obligations issued by state or local government agencies for infrastructure improvements, municipal public purpose projects, or multi-family rental housing. The Corporation for Supportive Housing, “[Financing Supportive Housing with Tax-Exempt Bonds and 4% Low-Income Housing Tax Credits](#),” October 2007.

⁵⁹ In 2024, a state’s volume cap is the greater of either \$125 multiplied by a state’s population or \$378.2 million. Council of Development Finance Agencies, [Volume Cap Resource Center](#), accessed May 20, 2024.

⁶⁰ National Low Income Housing Coalition, “[Qualified Allocation Plan](#)”; “[Low-Income Housing Tax Credits](#),” 2017

⁶¹ Turner Center University of California Berkley, “[The Complexity of Financing Low-Income Housing Tax Credit Housing in the United States](#),” April 2021.

of the capital stack.⁶² For example, Figure 4 depicts the rental income from one affordable housing development in Rhode Island—the Residences at Riverside Square. This development brings in gross monthly rental income of \$16,396, or roughly \$1,000 per month for each tenant. In order to be financially feasible, this project must rely on subsidies sufficient to make up the gap between this rental income and the cost of the development.⁶³ Subsidies come in many different types, including federal and state tax credit programs, historic tax credit programs, low-interest rate soft loans, project-based Section 8 vouchers, and grants from the federal government, state government, or private sources.⁶⁴

Figure 4
Monthly Rental Income
Residences at Riverside Square

Unit Size	Income Restriction	Number of Units	Monthly Rent	Gross Rent	Rental Income
1	30%	3	\$ 540	\$ 383	\$ 1,149
1	60%	3	\$ 1,026	\$ 869	\$ 2,607
2	60%	5	\$ 1,234	\$ 1,031	\$ 5,155
2	80%	5	\$ 1,700	\$ 1,497	\$ 7,485
Total		16			\$ 16,396

Note: Gross rent is the monthly rent minus utilities; rental income is the gross monthly rent multiplied by the number of corresponding units. RIPEC calculations
Source: RIHousing

Federal Grant Programs

While the LIHTC program is the largest source of federal support for the production and preservation of affordable housing, there over 20 different grant programs offered by HUD that provide additional support for affordable housing developments.⁶⁵ The largest of these programs are Community Development Block Grants (CDBG) and the HOME Investment Partnership Program (HOME).

Community Development Block Grants

The CDBG program is designed to help develop communities by providing housing, expanding economic opportunities, and improving living environments primarily for those of moderate or low incomes (below 80.0 percent AMI). Established as part of the Housing and Community

⁶² Michael Stegman, “[The excessive cost of creative financing: Growing inefficiencies in the production of low-income housing](#),” *Housing Policy Debate*, Vol. 2 1991.

⁶³ There are no LIHTCs associated with the Residences at Riverside Square. The development is a representation of the limited rental income available to a developer in an affordable housing deal when there is no dedicated rental or operating subsidies to draw from. Residences at Riverside Square is a \$5.8 million development with a mortgage totaling \$725,000. The development overall required roughly \$5.1 million in subsidy from federal and state sources. RIHousing, “[Firm Approval for the Residences at Riverside Square](#),” October 20, 2022.

⁶⁴ Turner Center University of California Berkley, “[The Complexity of Financing Low-Income Housing Tax Credit Housing in the United States](#),” April 2021.

⁶⁵ For a full list see, U.S. HUD, [Fiscal Year 2024 Funding Opportunities](#), accessed July 22, 2024.

Development Act of 1974, the CDBG program allocates funding to address various local needs including housing.⁶⁶ In 2024, the CDBG program provided \$3.30 billion to states and cities nationwide.⁶⁷

HOME Investment Partnership Program

Another important federal housing program often used as part of a developer's capital stack is the HOME program. Created in 1990 and overseen by HUD, states and municipalities can use their HOME funding to rehabilitate owner-occupied housing, construct or renovate rental units, provide tenant-based rental assistance, or supply homebuyer assistance. HOME provides relative flexibility to municipalities and HFAs, allowing them to develop specific policies tailored to their local needs.⁶⁸ HOME funds totaled \$1.25 billion in 2024.⁶⁹

Although the CDBG and HOME programs mentioned above are designed to be a part of an affordable housing project's capital stack, each comes with separate rules and regulations that complicate project designs for developers seeking to use more than one of these sources. For example, CDBG and HOME programs each have different standards for the number of low-income units in a rental development and different housing quality standards for rehabilitations.⁷⁰

⁶⁶ Congressional Research Service, "[Overview of Federal Housing Assistance Programs and Policy](#)," March 2019; "[Community Development Block Grants: Funding and Allocation Processes](#)," March 2021. In Rhode Island, Cranston, East Providence, Pawtucket, Providence, Warwick, and Woonsocket independently operate CDBG programs while the state manages the program for the other 33 municipalities. U.S. HUD, [HUD Awards and Allocations](#), accessed July 22, 2024.

⁶⁷ U.S. HUD, [Community Planning and Development Formula Program Allocations for FY 2024](#), accessed July 22, 2024.

⁶⁸ This program allocates 60.0 percent of its funds to participating municipalities and 40.0 percent to state HFAs. Funds are encouraged to be used with other sources of federal subsidies, including the federal LIHTC program. Congressional Research Service, "[Overview of Federal Housing Assistance Programs and Policy](#)," March 2019; Mai Thi Nguyen, Spencer Cowan, and William Rohe, "[Entrenched Hybridity in Public Housing Agencies in the USA](#)," *Housing Studies*, May 2012; Rachel Kleit and Stephen Page, "[The Changing Role of Public Housing Authorities in the Affordable Housing Delivery System](#)," *Housing Studies*, May 2014; Charles Orlebeke, "[The Evolution of Low-Income Housing Policy, 1949 to 1999](#)," *Housing Policy Debate*, November 2000.

⁶⁹ U.S. Office of Housing and Urban Development, [Community Planning and Development Formula Program Allocations for FY 2024](#).

⁷⁰ U.S. HUD, "[HOME and CDBG: Working together to Create Affordable Housing- Training Manual](#)," February 2012.

IV. Housing Policy in Rhode Island

Until recently, housing policy in Rhode Island primarily has consisted of administering federal housing programs. Beginning in the 1930s, federally funded public housing projects were developed through local Public Housing Authorities (PHAs). Rhode Island's first PHAs were created in 1939 and 1940, and during the 1960s, the number of PHAs grew dramatically, from four to 22.⁷¹ Today, Rhode Island has 27 PHAs managing a total of 9,037 public housing units, with most of those units (61.5 percent) concentrated in five urban communities: Providence, Pawtucket, Woonsocket, Newport, and Central Falls.⁷² In 2023, HUD allocated \$72.7 million in funding for public housing in Rhode Island.⁷³

Rhode Island's PHAs also administer the federal Section 8 Housing Choice Voucher (HCV) program, which provides rental assistance to families earning no more than 50.0 percent AMI. In practice, most vouchers are allocated to households with incomes at or below 30.0 percent AMI.⁷⁴ In Rhode Island, the PHAs manage a total of 9,482 HCV units, 57.3 percent of which are in Providence, Pawtucket, Woonsocket, Newport, or Central Falls. HUD provided \$94.8 million in HCV funding to Rhode Island's 27 PHAs in 2023.⁷⁵ RIHousing, the state's HFA, administers the HCV program in municipalities without their own PHAs. In 2024, RIHousing managed vouchers for 1,492 units, financed with \$21.5 million in HUD funding.⁷⁶

Rhode Island's Housing Institutions

RIHousing

Created in 1973, the Rhode Island Housing and Mortgage Finance Corporation, colloquially referred to as RIHousing is a quasi-governmental, self-sustaining agency established primarily to encourage

⁷¹ Rhode Island's first PHAs were created in Providence, Woonsocket, Newport, and Pawtucket. Maggie McCarty, "[Introduction to Public Housing](#)," Congressional Research Service, January 2014; Providence Housing Authority, [History](#), accessed December 2023; Pawtucket Housing Authority, [FY 2024 Annual Plan](#), December 2023; Woonsocket Housing Authority, [Developments](#), accessed February 2024; HigherGov, "[The Housing Authority of the City of Newport](#)," accessed February 10, 2024; R.I. Gen. Laws [§ 45-25-4](#).

⁷² Public Housing Authorities of Rhode Island, "[Statewide Data: May 2023](#)," May 2023; Maggie McCarty, "[Introduction to Public Housing](#)," Congressional Research Service, January 2014; U.S. HUD, [Picture of Subsidized Households](#); Providence Housing Authority, [Public Housing FAQ's](#), accessed July 29, 2024; U.S. HUD, [HUD's Public Housing Program](#), accessed July 29, 2024.

⁷³ This allocation is for operating and capital expenses. Under U.S. HUD rules, capital funds are used for the maintenance of existing housing units only and cannot add to the PHA's existing housing stock. U.S. HUD, [Office of Capital Improvements](#), accessed September 19, 2024. This figure excludes four PHAs: RIHousing, Gateway Healthcare Inc., the Kent Mental Health Center, and the Portsmouth Housing Authority. HUD, [Public Housing \(PH\) Data Dashboard](#).

⁷⁴ Selected households can then use their vouchers to rent private market-rate units. Households pay 30.0 percent of their incomes, and the PHA covers the remainder of their rents. Congressional Research Service, "[The Section 8 Housing Choice Voucher Program](#)," December 2023; U.S. HUD, [Housing Choice Vouchers Fact Sheet](#), accessed July 30, 2024.

⁷⁵ HUD, [HCV Data Dashboard](#); HUD, [Picture of Subsidized Households](#), accessed August 21, 2024.

⁷⁶ RIHousing administers the HCV program in 19 municipalities, 15 of which lack a PHA: North Smithfield, Glocester, Foster, Scituate, Barrington, Portsmouth, Little Compton, Middletown, North Kingstown, West Greenwich, Exeter, Richmond, Hopkinton, Charlestown, and New Shoreham. The remaining four municipalities—Newport, Narragansett, Bristol, and Jamestown—have housing authorities that administer the HCV program alongside RIHousing. RIHousing, [Housing Choice Voucher Program](#), accessed July 30, 2024; U.S. HUD, [HCV Data Dashboard](#), accessed July 30, 2024.

private investment in the production of low-income rental housing by supplying tax-exempt financing to mortgage lenders.⁷⁷ Over time, its responsibilities have grown to include administering state tax credit, lead abatement, rental assistance, housing bond, and homelessness programs. Among the federal programs managed by RIHousing, the federal LIHTC, HOME, and Section 8 programs are the largest. In 2023, RIHousing received roughly \$30.0 million in 9.0 percent LIHTCs and \$3.8 million in HOME funding.⁷⁸ Figure 6 on page 23 depicts the major tranches of federal money allocated to Rhode Island for the provision of affordable housing in 2023.

Office of Housing and Community Development

Federal CDBG funding for housing and community development has long been administered in Rhode Island through an executive office of housing. During the 1980s and 1990s, the CDBG program was managed by the Department of Community Affairs and the Governor’s Office of Housing, Energy, and Intergovernmental Relations (GOHEIR).⁷⁹ In 1998, the General Assembly passed the Housing Resources Act, which created a state housing resources agency within the Department of Administration, later called the Office of Housing and Community Development (OHCD). The OHCD primarily administered the state’s annual CDBG allocations, addressed issues related to the state’s aging housing stock, and implemented the state’s homelessness programs. The OHCD was moved into the Division of Planning within the Department of Administration in 2010, and subsequently was transferred to the Executive Office of Commerce in 2015 and absorbed by the new Department of Housing in 2022.⁸⁰ In FY 2023—the most recent year for which data are available—the state received \$3.4 million in CDBG funding, with about one-third of these dollars allocated to the provision of affordable housing.⁸¹

⁷⁷ R.I. House Fiscal Advisory Staff, [Housing as Enacted: FY 2025](#); Mike Milito, “Chronology of State Transfer of Housing and Homeless Programs to Rhode Island Housing,” December 2016.

⁷⁸ For the first twelve years of its existence, before the implementation of the LIHTC program, RIHousing issued \$1.45 billion in tax-exempt bonds to fund the production of 32,500 low-income units. Besides the 9.0 and 4.0 percent LIHTC programs, RIHousing administers the federal Housing Trust Fund, Section 811, Section 8, and HOME programs. RIHousing also acts as the Collaborative Applicant for the Continuum of Care program as well as providing staffing and administering some of the program’s funding. RIHousing. As of 2022, RIHousing maintained \$2.6 billion in assets held in a trust for its bondholders. R.I. House Fiscal Advisory Staff, [Housing as Enacted: FY 2025](#); [Housing as Enacted: FY 2024](#); Mike Milito, “Chronology of State Transfer,” December 15, 2016; RIHousing, [Section 811](#), accessed June 25, 2024; RIHousing, Annual Report: [2023](#), [2021](#), [2020](#); [2018](#); RIHousing, [Fair Housing Policy Report](#) April 2024; R.I. Gen. Laws [§ 45-53-10](#); RIHousing, [State of Rhode Island: 2023 Qualified Allocation Plan](#); U.S. HUD, [HCV Data Dashboard](#), accessed August 21, 2024; HUD, [HUD Awards and Allocations](#), accessed August 21, 2024.

⁷⁹ Until 1985, the Department of Community Affairs oversaw the Small Cities CDBG program and provided community development services to Rhode Island municipalities. The General Assembly dissolved the Department in 1985, and in 1989, Governor DiPrete created GOHEIR. GOHEIR assumed responsibility over the Small Cities CDBG program. In October 1995, Governor Almond issued an executive order abolishing GOHEIR. Mike Milito, “Chronology of State Transfer,” December 2016; R.I. House Fiscal Advisory Staff, [Housing as Enacted: FY 2025](#).

⁸⁰ R.I. House Fiscal Advisory Staff, [Housing as Enacted: FY 2025](#); Mike Milito, “Chronology of State Transfer,” December 2016; R.I. Gen. Laws [§ 42-64.19-7](#).

⁸¹ Including the CDBG funding that went directly to RI municipalities (Providence, Cranston, East Providence, Pawtucket, Warwick, and Woonsocket), HUD allocated a total of \$14.8 million in 2022. Of those dollars, \$3.4 million went towards housing production and rehabilitation. U.S. HUD, [CDBG Activity Expenditure Reports](#), accessed July 30, 2024.

Housing Resources Commission (HRC)

The Housing Resources Act of 1998 also established the Housing Resources Commission (HRC) with the power to plan, coordinate, develop and evaluate the state’s housing programs. Despite its broad statutory mandate, the HRC has never been provided with funding for operations. Instead, the General Assembly appointed the OHCD as the HRC’s administrative arm. In practice, the HRC primarily oversees the BHRI program, provides planning, monitoring, and recommendations; and is the state’s recipient of many federal homelessness funds. It awards these funds—with its dedicated portion of the real estate conveyance tax—to shelter operations, lead hazard reduction, and technical assistance. However, while the HRC is functionally in charge of the BHRI program, it delegates all administrative responsibility and authority for the program to RIHousing through a memorandum of understanding that has gone largely unchanged since 2006. RIHousing collects a 2.5 percent administrative fee for these services totaling \$4.8 million over the four separate housing bonds offered by the state.⁸⁴

State Housing Policies

Rental Assistance and Operating Reserve Programs

State Rental Assistance Program

Although housing policy in Rhode Island has primarily consisted of the administration of federal programs, a state Rental Assistance Program (state RAP) was established by the General Assembly as part of the Affordable Housing Opportunity Act of 1988. Modeled after the Section 8 program and administered by GOHEIR, the state RAP provided subsidies to landlords who rented housing to Rhode Islanders earning no more than 60.0 percent AMI. At its peak in 2007, the state RAP provided rental assistance to 670 households statewide, with approximately \$5.0 million in state appropriations per year. In 1990, RIHousing assumed responsibility for the state RAP, and over the course of the next 17 years, paid \$85.9 million in subsidy and administrative costs for the program, which now only serves 25 households.⁸²

Neighborhood Opportunities Program

In 2001, Rhode Island established the Neighborhood Opportunities Program to help increase the supply of affordable housing for very low and extremely low-income Rhode Islanders. This program provides funds to cover the difference between the rental costs affordable to low-income Rhode Islanders and the costs to the owner to operate housing developments.⁸³ The HRC stopped funding the program at the end of FY 2011 and RIHousing has independently funded the program since then, providing \$6.4 million in operating assistance since FY 2012—roughly \$0.5 million per year.⁸⁴ In FY

⁸² RIHousing. As of 2016, the state has only reimbursed 4.1 percent of RIHousing’s administrative costs. Mike Milito, “Chronology of State Transfer,” December 2016; R.I. Gen. Laws [§ 42-11.2-3](#); R.I. Gen. Laws [§ 42-11.2-4](#); R.I. Gen. Laws [§ 42-11.2-5](#).

⁸³ RIHousing, “[Approval of Neighborhood Opportunities Program Awards](#),” June 20, 2024.

⁸⁴ RIHousing, “[FY 2023 Neighborhood Opportunities Program Report](#),” July 20, 2023.

2024, RIHousing announced efforts to transition away from the Neighborhood Opportunities Program to reduce the long-term cost of subsidies.⁸⁵

Low and Moderate-Income Housing Act

In 1991, the General Assembly passed the Low and Moderate-Income Housing Act, which required all Rhode Island municipalities to ensure that at least 10.0 percent of their housing stock is affordable to individuals earning at most 80.0 percent AMI. The Act, however, lacks a meaningful enforcement mechanism, and most of the state’s municipalities have failed to comply. Of the 39 cities and towns in Rhode Island, only four met the 10.0 percent threshold in 2023: Central Falls, Newport, Providence, and Woonsocket.⁸⁶

Rhode Island’s 8-Law

In effect since 1995, Rhode Island’s 8-law allows developers to receive substantial property tax relief for producing new affordable housing. Under the 8-law, eligible developers can pay eight percent of the “property’s previous years’ gross scheduled rental income” in lieu of paying the applicable municipal property tax rate. Since its enactment, the 8-law has led to the production of a modest number of affordable units. In FY 2022, 234 developments were taxed at the 8.0 percent rate and in FY 2023, 257 developments were taxed at this rate. The 8-law recently has been the subject of controversy over the ability of developers to apply tax relief to market-rate units and commercial spaces located in developments with affordable units.⁸⁷

State Spending on Housing Production

Housing Bonds

Since 2006, the state’s primary funding stream for the production of affordable housing has been general obligation bonds approved by voter referenda. Between 2006 and 2021, there were four housing bond referenda approved: a \$50.0 million bond in 2006, a \$25.0 million bond in 2012, a \$50.0 million bond in 2016, and a \$65.0 million bond in 2021. The General Assembly—as part of its FY 2025 enacted budget—approved a \$120.0 million bond, to be presented to the voters in November 2024. It would be the largest bond offering dedicated to housing in the state’s history, nearly double the next

⁸⁵ In total, the Neighborhood Opportunities Program has allocated \$44.0 million in funding to help support the operation of 1,188 units in 173 developments. HousingWorksRI, [Neighborhood Opportunities Program](#), accessed September 4, 2024.

⁸⁶ The Act is theoretically enforceable in two ways. First, noncompliant municipalities are required to submit a list of vacant school buildings to the Department of Housing which the Department can use to produce affordable housing. Second, municipalities are eligible to be referred to a Local Review Board if they do not comply with the 10.0 percent rule. RIHousing, [Low & Moderate Income Housing By Community](#), accessed October 3, 2024; R.I. Gen. Laws [§ 45-53](#); R.I. Gen. Laws [§ 42-128-8.1](#).

⁸⁷ No prior data are available on the number of units taxed under this law. Thirty-one of the 36 respondents surveyed in FY2023 said that they had fewer than 10 units taxed at the 8.0 percent rate. RIHousing, [Report on RIHousing Development Activity and 8 percent Tax](#), 2023; [Report on RIHousing Development Activity and 8 percent Tax](#), 2024; R.I. Gen. Laws [§ 44-5-13.11](#); Stephen Machado, “A ‘loophole’ or a ‘tremendous tool’? R.I. lawmakers mull changes to affordable housing tax breaks,” *Boston Globe*, March 13, 2024.

largest approved bond amount. Figure 5 depicts the history of state bonds for housing in Rhode Island.

Building Homes Rhode Island

Most of the state’s investment under all four prior general obligation bonds have been allocated to the Building Homes RI program (BHRI), the state’s flagship housing production and rehabilitation program. The first housing bond in 2006 (BHRI I) subsidized the production and preservation of 1,206 affordable units. BHRI II, funded through the 2012 bond, funded the production and preservation of 746 affordable units, and BHRI III (the 2016 bond) helped produce and rehabilitate 836 affordable units. In its reports, RIHousing combines rehabilitations with new construction and does not provide a breakdown of the net number of newly constructed units versus the number of rehabilitated units. RIPEC’s analysis of prior BHRI figures demonstrates that the rehabilitation of existing affordable units have comprised about three-quarters of RIHousing’s reported unit counts.⁸⁸ BHRI IV, funded with the 2021 bond, was used primarily in combination with SFRF funds to construct and rehabilitate affordable housing units, and is analyzed in Section V of this report in the context of SFRF affordable housing investments.⁸⁹

Acquisition and Revitalization Program

Starting in 2016, the General Assembly began allocating a portion of housing bond dollars to various community revitalization initiatives through the Acquisition and Revitalization Program (ARP). The first wave of ARP, seeded with \$10.0 million in 2016 bond dollars, produced 138 affordable units.⁹⁰ As part of the 2021 bond referendum, voters approved a second wave of ARP funds (\$15.0 million), used largely in conjunction with SFRF dollars to produce and rehabilitate affordable housing units.⁹¹

Figure 5
Rhode Island
Housing Bonds
2006-2024 (\$ Millions)

Year	\$ Amount
2006	\$ 50.0
2011	\$ 25.0
2016	\$ 50.0
2021	\$ 65.0
2024	\$ 120.0

Note: 2024 housing bond has yet to be approved by voters. Election will be held November 2024.
Source: RIHousing; R.I. Department of Housing

⁸⁸ RIPEC received a full list of BHRI II and III developments from the Department of Housing in 2024. From those figures, BHRI II produced 199 net new units of affordable housing and included 584 rehabilitated units. BHRI III produced 244 new affordable units and rehabilitated 631 affordable units. R.I. Department of Housing; RIHousing, “Building Homes Rhode Island,” January 2024; RIPEC, “[The Governor’s FY 2025 Budget Proposal: A Transitional Budget as the State Faces More Constrained Revenues](#),” May 2024; RIHousing, “[Building Homes Rhode Island Request for Proposals \(RFP\)](#).” RIPEC calculations.

⁸⁹ R.I. Gen Assembly, [2020—H 7171](#); RIHousing, “[Memo: Building Homes Rhode Island](#),” January 16, 2024. A full analysis of the SFRF funds is in Section V of this report.

⁹⁰ This figure includes both rehabilitation and new construction projects. ARP was also included in the 2021 bond. RIHousing, “[Memo: Building Homes Rhode Island](#),” January 2024.

⁹¹ Ibid.

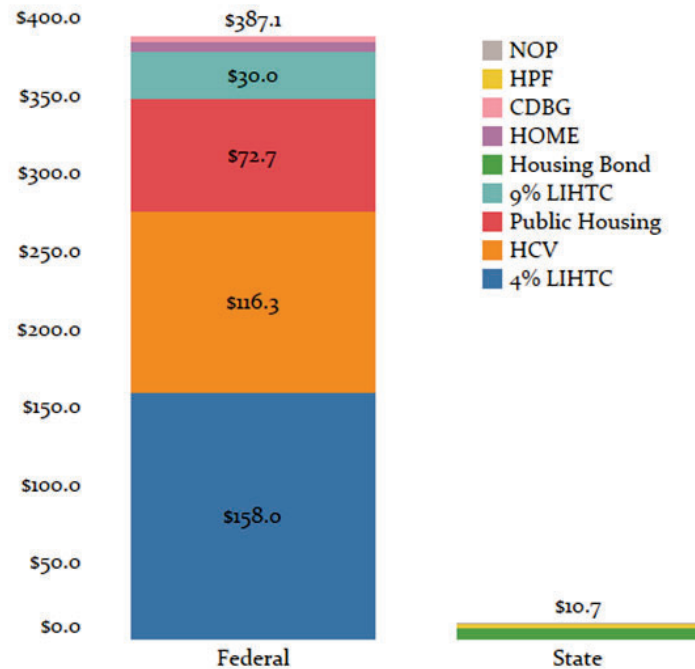
Institutional Responsibility for Bond Programs

The Housing Resources Commission (HRC) was given responsibility to approve BHRI awards, with the program guidelines and funds administered by RIHousing. Since the creation of the BHRI program in 2006, the HRC has engaged in a contractual relationship with RIHousing—governed by a memorandum of understanding—to prepare program guidelines, solicit applications, evaluate and underwrite the projects, and disburse the funds throughout the stages of construction.⁹² In contrast, RIHousing was given sole responsibility to administer the ARP funds.⁹³

State vs. Federal Spending on Housing

As illustrated by Figure 6, the large majority of Rhode Island’s funding for affordable housing production comes from the federal government. Between 2006 and 2021, Rhode Island invested \$215.0 million in state dollars to produce and rehabilitate affordable housing. In 2023 alone, Rhode Island received \$387.1 million in federal 4.0 and 9.0 percent LIHTCs, public housing and Section 8 funds, and HOME and CDBG dollars—exceeding the total state investment in housing production over the past fifteen years.⁹⁴ State expenditures for housing in 2023, exclusive of SFRF funding, amounted to only \$10.7 million, less than 3.0 percent of the federal investment that year.⁹⁵

**Figure 6
Federal vs. State Spending on
Housing in Rhode Island
2023 (\$ Millions)**



Source: RIHousing; R.I. OMB; HUD.
Note: This is not an exhaustive list of federal housing dollars spent in Rhode Island.

⁹² Ibid.

⁹³ RIHousing, “Building Homes Rhode Island: Overview and Outcomes,” Presentation to the Senate Committee on Rules, Government Ethics & Oversight, March 4, 2020.

⁹⁴ These programs represent the six largest federal programs and is offered to present a sense of scale with state investment. U.S. HUD has dozens of federal programs dedicated to housing, Rhode Island does receive additional dollars from the federal government representing smaller allocations. U.S. HUD, [Programs & Related Topics](#), accessed September 19, 2024; [HUD Awards and Allocations](#), accessed September 19, 2024.

⁹⁵ The \$215.0 million includes the 2006, 2012, 2016, and 2021 bond issues as well as the 2021 HPF. The \$229.1 million figure includes only HOME, HCV, PH, 9% LIHTC, and CDBG (housing) dollars. RIHousing, “[Memo: Building Homes Rhode Island](#),” January 2024; R.I. House Fiscal Advisory Staff, [Budget as Enacted: FY 2022](#).

Recent State Policy Developments

In recent years, Rhode Island housing policy has undergone significant changes relating to governance, the allocation of federal funding, and the creation of new state housing programs.

Department of Housing

In FY 2023, the General Assembly created a new Department of Housing to be administered by a Secretary of Housing and transferred the operations and existing staff of the Office of Housing and Community Development from the Executive Office of Commerce to the new agency. As part of the FY 2024 budget, the Assembly essentially doubled the staff of the agency from 17.0 full-time equivalent positions to 38.0 and allocated \$3.5 million from state general revenues to fund these new positions.⁹⁶

The statute establishing the Department of Housing designated the Department as the lead agency for housing, homelessness, and community development in the state. Under the enabling law, the Secretary serves as the governor's chief advisor on housing, oversees the administration and finances of the Department, and coordinates the housing, homelessness, and community development programs of the state, as well as the various state agencies responsible for those programs.⁹⁷

Organizational Responsibilities

The new Department was tasked with the responsibility of completing the integrated housing report—which predated the Department—to take account of the state's housing stock, and a housing organizational plan to address the function and relationship between all state housing agencies. The Department did not fully complete the integrated housing report until 2023 and has yet to complete the required organizational plan.⁹⁸

By requiring the reorganization plan from the Department, the General Assembly deferred modifying the existing authorities or responsibilities of the two other agencies that oversee aspects of housing policy in Rhode Island—the HRC and RIHousing. As a result, the three agencies share overlapping powers and responsibilities and lines of authority are unclear. For example, all three agencies are responsible for allocating housing tax credits, administering homelessness support and community revitalization programs, and supporting municipal and state planning efforts. Moreover,

⁹⁶ R.I. House Fiscal Advisory Staff, [Housing as Enacted: FY 2024](#).

⁹⁷ In addition to these powers, the Assembly granted the Department the ability to purchase, lease, or own property; to accept various forms of aid from the federal government; and to negotiate contracts or agreements with various state and private entities. R.I. Gen. Laws, [§ 42-64.34-2](#).

⁹⁸ The integrated report requires an accounting of the number of single-family and multi-family homes in the state by unit type, the number of new units produced annually, as well as the number of permits issued by municipality, measures of affordability by community, and a breakdown of housing affordability and availability by demographic groups. The General Assembly required an integrated housing report in both 2021 and 2022. For the housing organizational plan, the Department is required to seek input from the various housing institutions in the state and present a comprehensive plan that recommended changes to the institutional structure. The Department submitted a plan in November 2022 that did not meet the required elements, and the 2024 General Assembly required a new plan be submitted by the end of 2024. R.I. House Fiscal Advisory Staff, [Housing as Enacted: FY 2025](#); R.I. Gen Assembly, [2022—H 7940 Substitute A](#).

at least two of the agencies are responsible for providing rental assistance, administering various SFRF programs, and acquiring, holding, operating, or leasing housing projects. Figure 7 depicts these overlapping responsibilities.⁹⁹

Figure 7
Selected Overlapping Responsibilities Between
Rhode Island State Housing Institutions

Statutory Power	RIHousing	Department of Housing	HRC
Coordinates housing-related activities across state agencies	☑	☑	☑
Allocates housing tax credits	☑	☑	☑
Supports municipal and state planning	☑	☑	☑
Administers homelessness support programs	☑	☑	☑
Administers community revitalization programs	☑	☑	☑
Responsible for conducting research on state housing policy	☑	☑	☑
Administers Rental Assistance Programs	☑	☐	☑
Acquires, holds, operates, rehabilitates, or leases housing projects	☑	☑	☐
Administers Various SFRF Programs	☑	☑	☐

Source: R.I. Gen. Laws; RIHousing; R.I. House Fiscal Advisory Staff

9.0 Percent LIHTC Allocation

Rhode Island’s largest single source of funding for the development of affordable housing is its state allocation of 9.0 percent LIHTCs, which currently generates about \$33.6 million in capital investments each year.¹⁰⁰ Since 2021, 9.0 percent LIHTCs have produced \$146.5 million in capital to support 822 affordable units of housing.¹⁰¹ RIHousing—as the state’s lead HFA—is responsible for administering the LIHTC program for the State of Rhode Island. Federal law requires a Qualified Allocation Plan (QAP) that governs the process of allocation of LIHTCs to developers. The QAP is presented each year to the public through a hearing for review and comment, and ultimately approval by the governor. The IRS requires states to include a number of elements in their QAPs—such as serving residents with the lowest incomes and those that are located in qualified census tracts—but leave wide discretion as to how heavily those elements are weighted and ultimately scored in the awarding of tax credits.¹⁰²

⁹⁹ R.I. Gen. Laws § [42-128-7](#), § [42-128-8](#), § [42-64.34-2](#), § [42-55-5](#), § [42-55-5.1](#), § [42-55-5.3](#), § [42-55-8](#), § [42-55-13](#), § [42-55-14](#), § [42-55-6](#), § [42-55-7](#), § [42-55-7.1](#), § [42-55-22.2](#), § [42-55-24.1](#), § [42-55-27](#), § [42-128-9](#), § [42-128-11](#); Mike Milito, “Chronology of State Transfer of Housing and Homeless Programs to Rhode Island Housing,” December 15, 2016, 1-7; R.I. Gen. Laws § [42-11.2](#), [Article 7 Substitute A as Amended](#), § [42-55-22.3](#), § [42-55.1-3](#), § [42-55.1-1](#); R.I. House Fiscal Advisory Staff, [Housing as Enacted: FY 2025](#).

¹⁰⁰ RIPEC calculations based on the \$33.6 million in 9% LIHTCs Rhode Island is set to receive in 2024. Novogradac, [2024 Federal LIHTC Information by State](#), accessed July 23, 2024.

¹⁰¹ RIPEC received a full dataset of 9.0 percent LIHTC developments from 2011 to 2024 from RIHousing. RIPEC calculations.

¹⁰² 4.0 percent LIHTCs generate “by right” and are not subject to scoring, but they still must meet guidelines outlined in the QAP. The specific IRS regulations and requirements are discussed in Section III of this report.

Rhode Island's Qualified Allocation Plan (QAP)

Rhode Island's state QAP from 2021 to 2024 established seven funding priorities, consistent across all years. These funding priorities are:

- 1) Increasing the supply of affordable housing
- 2) Producing new units
- 3) Creating low-income housing in communities without low-income housing or in urban areas with substandard or blighted properties
- 4) Building sustainable and equitable communities
- 5) Developing units for very low-income households, those experiencing homelessness, individuals with special needs, and households with children
- 6) Serving the needs of Rhode Island workers and businesses
- 7) Funding the development of affordable units at a reasonable cost¹⁰³

Funding Priorities of the QAP in Practice

The funding priorities of Rhode Island's QAP reflect several state policy choices. While HUD regulations allow LIHTC-funded projects to have up to 60.0 percent of units allocated to households with incomes above 80.0 percent AMI, the inclusion of mixed income units is neither included in the Rhode Island's QAP funding priorities, nor favored in the scoring criteria used to award projects.¹⁰⁴ Additionally, Rhode Island's QAP favors and incentivizes various social and other goals supplemental to the provision of housing in LIHTC-funded housing developments. The scoring criteria for awarding LIHTC includes substantial credit for a long list of features, ranging from transit, commercial space, the remediation of blighted properties, and tenant services such as childcare and job training.¹⁰⁵ Notably, the scoring weight for social and other goals supplemental to housing collectively exceed the weight given to the category pertaining to total development cost per unit.¹⁰⁶

Changes to the QAP in 2024

The 2024 QAP adopted significant changes that favored the provision of housing units for very low-income households and de-emphasized development cost. The scoring weight was more than

¹⁰³ RIHousing, [State of Rhode Island: 2021 Qualified Allocation Plan](#); [State of Rhode Island: 2022 Qualified Allocation Plan](#); [State of Rhode Island: 2023 Qualified Allocation Plan](#); [State of Rhode Island: 2024 Qualified Allocation Plan](#).

¹⁰⁴ A mixed-income development could only earn a maximum of four points out of a possible 137 (2.9 percent) in the 2021 QAP, four points out of a possible 136 points in the 2022 QAP (2.9 percent), three points out of a possible 138 (2.2 percent) in the 2023 QAP, and three points out of a possible 157 (1.9 percent) in the 2024 QAP. Ibid. RIPEC calculations.

¹⁰⁵ Developments can also earn points for incorporating crime prevention through environmental design or for offering movie nights or art, music, or exercise classes. Developments can gain credit for creating jobs for local community members or offering low-cost internet service at a particular speed. Historic preservation is also given consideration. For example, the QAP provides incentives for developers to leverage historic tax credits and provides relief from total development cost scoring for developments undertaking historic reconstructions. Ibid.

¹⁰⁶ From 2021 to 2024, financial considerations—including total development cost per unit, LIHTCs per unit, and the amount of hard debt leveraged—have never made up more than 50.0 percent of scoring. The average weight for financial considerations during this time is 44.7 percent. Ibid; RIPEC calculations.

quadrupled for developments serving households earning at or below 30.0 percent AMI and now matches the highest single scoring criteria in the QAP.¹⁰⁷ The 2024 QAP also removed a cap on total development cost per residential unit as part of the threshold criteria for scoring. Instead, consideration of cost is incorporated as a priority that the development achieve affordable housing at a “reasonable cost,” with reference to \$450,000 per unit as the upper limit of reasonable cost.¹⁰⁸

Changes to the QAP in 2025

The 2025 QAP made notable changes that increased the scoring weight for social and other goals supplemental to the provision of housing from 26 to 33 points and increased the number of such goals receiving consideration.¹⁰⁹ The 2025 QAP also offered a modest increase in the scoring weight—from three to five points—for mixed-income developments that included middle-income or market-rate units.¹¹⁰

State Low-Income Housing Tax Credit

The General Assembly established a state LIHTC program in 2023 as part of the FY 2024 state budget. This program provides up to \$30.0 million annually in state income tax credits that are awarded through a competitive process for a five-year term in equal increments and may be redeemed for up to 90.0 percent of their value.¹¹¹ To be eligible to receive state LIHTCs, a development must be already approved for a federal LIHTC, meet the eligibility criteria set forth in the state’s QAP, and have a demonstrated funding gap that the state LIHTCs would fill. Proposed Department regulations governing the program favor developments that serve vulnerable populations or households at or below 30.0 percent AMI.¹¹² The state LIHTCs regulations were proposed in May 2024 and are set to be finalized in October. In September, RIHousing tentatively included \$12.5 million in state LIHTCs

¹⁰⁷ Ibid; RIPEC calculations. From 2023 to 2024, the maximum number of points eligible for servicing households earning at or below 30.0 percent of AMI increased from six to 24. RIHousing, [State of Rhode Island: 2023 Qualified Allocation Plan](#); [State of Rhode Island: 2024 Qualified Allocation Plan](#).

¹⁰⁸ Ibid. The 2024 QAP continued the trend of deemphasizing financial considerations; from 2021 to 2024 these considerations declined from 47.2 percent to 42.0 percent of total scoring (11.1 percent decrease). RIPEC calculations.

¹⁰⁹ Consideration was added for developments that were within certain distances to a fixed rail stop, if a project was within one of the state’s 15 Health Equity Zones, or if a development hired a Resident Services Coordinator for at least 20 hours per week.

¹¹⁰ RIPEC offered five separate recommendations for the 2025 QAP during RIHousing’s public comment period. RIPEC recommended that 1) RIHousing reinstate the total development cost per unit caps that existed in the 2020-2023 QAPs, 2) the scoring weight for including units serving households at or below 30.0 percent AMI be reduced to 2023 levels, 3) the penalties for cost overruns be increased, 4) social and other goals supplemental to the provision of housing be consolidated and the scoring weight be reduced, and 5) the scoring for mixed-income developments be increased to at least ten points. RIHousing’s initial draft rejected this recommendation, noting that the LIHTC program was designed to produce low-income units. During discussion and questioning from the Credit Committee of RIHousing, staff suggested that mixed-income developments were not favored by syndicators, making financing difficult. After the Credit Committee hearing, points for mixed-income developments were increased. RIHousing, [“Credit Committee Meeting: Recommendation for Approval of the Final 2025 Qualified Allocation Plan.”](#) August 7, 2024; RIHousing, [State of Rhode Island 2025 Qualified Allocation Plan](#); RIHousing, [State of Rhode Island 2024 Qualified Allocation Plan](#).

¹¹¹ R.I. House Fiscal Advisory Staff, [Housing as Enacted: FY 2025](#).

¹¹² R.I. Department of Housing, [Subchapter 10—Low-Income Housing Tax Credits](#).

as a potential funding source to The Flynn—a proposed 178-unit, 100.0 percent affordable project in Providence with an estimated total development cost of \$76.9 million.¹¹³

Real Estate Conveyance Tax

In FY 2015, the General Assembly established a new real estate conveyance tax of \$2.30 for every \$500 paid on home sales, with proceeds from the tax split between the distressed community relief program (\$0.30), the Housing Resources Commission restricted receipt account (\$0.30), and the state’s general fund (\$0.60), with the remainder (\$1.10) retained by the municipality collecting the tax.¹¹⁴ When originally established, the Housing Resources Commission restricted receipt account was overseen by the HRC and administered by the OHCD for a wide range of activities including lead hazard reduction, rental subsidy, and shelter operations.¹¹⁵ The tax raised a total of \$37.9 million for the Housing Resources Commission restricted receipt account from FY 2016 to FY 2023, an average of \$4.7 million annually.¹¹⁶ In the FY 2025 budget, the General Assembly transferred responsibility for this funding from the HRC to the Department of Housing.¹¹⁷

In FY 2022, the Assembly created a second tier of the real estate conveyance tax, doubling the tax from \$2.30 to \$4.60 for each \$500 on home sales above \$800,000. The entirety of this additional portion of the tax was dedicated to a new Housing Production Fund. At the same time, the Assembly appropriated \$25.0 million in general revenue to capitalize the new fund. The new tax surcharge has raised less than \$3.0 million per year since adoption.¹¹⁸

Housing Production Fund

The General Assembly stipulated that the Housing Production Fund would be administered by RIHousing, subject to program and reporting guidelines adopted by the coordinating committee of the HRC, which consists of the Chairperson and Executive Director of RIHousing, the Chairperson of the HRC, and the Director of the Department of Administration.¹¹⁹ The Assembly required that

¹¹³ The developers for The Flynn offered the State LIHTC as a possible source of funding to RIHousing and RIHousing offered preliminary financing for the development with the State LIHTC as a proposed source. While not a 9.0 percent LIHTC development, the proposed development for The Flynn demonstrates the funding priorities of the QAP in practice. The development would provide housing for those with very low incomes (weighted AMI score of 58.4 percent) and includes no middle-income or market-rate housing. It would include commercial space, daycare, and Head Start educational services as well as wraparound health services for residents. The development is expected to cost \$432,115 per residential unit, significantly more than the average selling price of a condominium in Rhode Island (\$357,000). RIHousing, [“Preliminary Approval of Financing for The Flynn,”](#) September 11, 2024; RI Association of Realtors, [“Realtors report slow sales but more equity gains in 2023,”](#) January 30, 2024.

¹¹⁴ R.I. Gen. Assembly, [2015—S 0651 Substitute A](#).

¹¹⁵ R.I. Gen. Laws, [§ 44-25-1](#). R.I. House Fiscal Advisory Staff, [Housing as Enacted: FY 2025](#).

¹¹⁶ R.I. OMB, [FY 2019 Operating Budget: Technical Appendix](#); [FY 2020 Operating Budget: Technical Appendix](#); [FY 2021 Operating Budget: Technical Appendix](#); [FY 2022 Operating Budget: Technical Appendix](#); [FY 2023 Operating Budget: Technical Appendix](#); [FY 2024 Operating Budget: Technical Appendix](#).

¹¹⁷ The Assembly made this change effective December 31, 2024, or after fulfillment of its requirement to produce a State Housing Reorganization Plan, whichever is later. The Assembly also renamed the Housing Resources Commission restricted receipt account to the Housing Resources and Homelessness restricted receipt account. R.I. Gen. Assembly, [2024—H 7225 Substitute A as Amended](#).

¹¹⁸ R.I. Department of Housing.

¹¹⁹ R.I. Gen. Laws [§ 42-128-2](#).

funds be used to provide financial assistance for the planning, production, or preservation of affordable housing for households not earning more than 80.0 percent AMI and to provide technical and financial assistance to municipalities to support increased housing production. The Assembly further directed RIHousing to give priority to households either exiting homelessness or earning not more than 30.0 percent AMI.¹²⁰

Pursuant to guidelines adopted by the HRC coordinating committee in March 2022, RIHousing established the Housing Production Fund Capital Fund (HPF).¹²¹ The HPF Capital Fund guidelines and funding priorities—like the BHRI and ARP programs—are closely aligned with the priorities of the state’s QAP. Program guidelines specifically give preference to households either exiting homelessness or earning no more than 30.0 percent of AMI.¹²² Developments also are given greater consideration if they have certain supplemental features, such as sustainable design elements or use of a Rhode Island-based developer and offers no consideration favoring mixed-income developments.¹²³ Financial considerations make up less than 15.0 percent of total scoring.¹²⁴

¹²⁰ R.I. Gen. Laws § 42-128-2.1.

¹²¹ The HPF was initially seeded with \$10.0 million. RIHousing, “[Guidelines for Housing Production Fund Capital Fund.](#)” RIHousing also established the Housing Production Fund Extremely Low-Income Operating Reserve Program (HFP-ELI). The HFP-ELI Program—initially seeded with \$10.0 million—was designed to provide operating funds to support the operation of affordable units serving households earning up to 30.0 percent AMI. These funds were designed to bridge the gap between a households’ ability to pay 30.0 percent of their gross household income and rent required for 50.0 percent AMI units in LIHTC-funded projects. RIHousing, “[Program Guidelines: Housing Production Fund Extremely Low-Income Operating Reserve \(HPF-ELI\) Program](#)”; Coordinating Committee of the Housing Resources Commission, “[Meeting of the Coordinating Committee of the Housing Resources Commission.](#)” March 7, 2022. The specific program guidelines have not been made publicly available.

¹²² The scoring criteria provides 11 points (15.7 percent of total) for providing for households earning at or below 30.0 percent AMI or for having some type of committed operating support for the development. RIHousing, “[Guidelines for Housing Production Fund Capital Fund.](#)” RIPEC calculations.

¹²³ All total, social and other goals supplemental to the provision of housing make up 27.1 percent of the total HPF-Capital scoring. Ibid. RIPEC calculations.

¹²⁴ Ibid. RIPEC calculations.

V. Analysis of State Fiscal Recovery Fund Housing Investments

Rhode Island's State Fiscal Recovery Fund Allocations to Housing

Relative both to its own historical levels of investment and to other states, Rhode Island dedicated a large proportion of federal American Rescue Plan Act (ARPA) funds to housing. Of the \$1.13 billion received from ARPA's State Fiscal Recovery Fund (SFRF), Rhode Island appropriated \$332.2 million to housing.¹²⁵ This level of investment vastly exceeded the total of \$215.0 million the state invested in bond and Housing Production Fund dollars since 2006.¹²⁶ Representing 29.4 percent of the state's total SFRF allocation, Rhode Island's housing investment was proportionally the second highest among states, and was more than five times the national average proportion (5.5 percent).¹²⁷ Rhode Island also was the leader in this regard among New England states, more than doubling the proportion of SFRF funds dedicated to housing by Massachusetts (11.4 percent), Maine (11.2 percent), and New Hampshire (10.4 percent).¹²⁸

Federal SFRF funds were multipurpose, designed to provide states with a wide range of flexibility, while responding to the specific hardships incurred due to the COVID-19 public health emergency.¹²⁹ Eligible uses include aid to impacted households for rent, mortgages, utilities, and affordable housing development.¹³⁰ Federal rules require that states obligate SFRF by December 31, 2024, corresponding to Rhode Island's state FY 2025, and expend those funds by December 31, 2026 (FY 2027).¹³¹ In order to meet these strict commitment and expenditure timelines, the federal government recommended that states administer the funds swiftly by using existing state programs rather than designing new ones that might take longer to implement.¹³²

SFRF Housing Programs

Figure 8 displays how the General Assembly appropriated this historic investment of SFRF dollars to housing in the form of 17 different programs under three main categories. As Figure 9 shows, nearly two-thirds of the allocation (\$206.0 million) was dedicated to the production and preservation of affordable housing. Most of the remainder (\$116.0 million) was allocated to services, with the largest portion dedicated to homelessness services (\$86.0 million) and the remainder (\$30.0 million)

¹²⁵ R.I. Pandemic Recovery Office, [RI Pandemic Recovery](#), accessed July 10, 2024.

¹²⁶ RI Housing, "[State Housing Investment Summary](#)," July 2022.

¹²⁷ Rhode Island's commitment to housing was nearly three times the national average (10.0 percent) among states that reported committing funds to housing. Ibid. RIPEC calculations.

¹²⁸ Despite ranking 40th highest among the states for ARPA allocation, Rhode Island ranked seventh highest in the total amount of ARPA funds spent on housing. National Conference of State Legislatures, [ARPA State Fiscal Recovery Fund Allocations Dashboard](#), accessed June 20, 2024.

¹²⁹ Acceptable uses included but were not limited to responding to the coronavirus pandemic, negative economic impacts, projects eligible under Title I of the Housing and Community Development Act of 1974, or for infrastructure support such as water, sewer, or broadband. U.S. Department of the Treasury, "[Coronavirus State and Local Fiscal Recovery Funds Guidance on Recipient Compliance and Reporting Responsibilities](#)," March 2024.

¹³⁰ U.S. Department of Treasury, "[Coronavirus State & Local Fiscal Recovery Funds: Overview of the Interim Final Rule](#)," August 2023.

¹³¹ U.S. Department of Treasury, [State and Local Fiscal Recovery Funds](#), accessed July 10, 2024.

¹³² U.S. Department of the Treasury, "[Coronavirus State and Local Fiscal Recovery Funds Guidance on Recipient Compliance and Reporting Responsibilities](#)," March 2024.

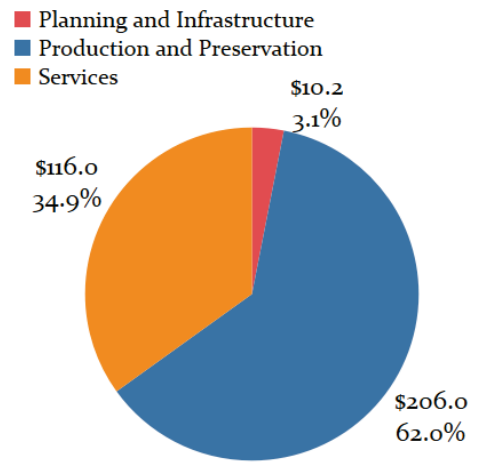
appropriated for down-payment assistance. A relatively small amount (\$10.2 million) was set aside for planning and infrastructure.¹³³

Figure 8
SFRF Allocations to Housing and Responsible Institution
FY 2021 - FY 2025 (\$ Millions)

Program	Allocation
Production/Preservation	
Development of Affordable Housing (<i>RIHousing/CCHRC</i>)	\$ 90.0
Public Housing Pilot (<i>RIHousing/Department of Housing</i>)	\$ 10.0
Targeted Housing Development (<i>Department of Housing</i>)	\$ 26.0
Site Acquisition (<i>RIHousing</i>)	\$ 25.0
Middle Income Housing (<i>RIHousing</i>)	\$ 20.0
Affordable Housing Predevelopment (<i>RIHousing</i>)	\$ 10.0
Community Revitalization (<i>RIHousing</i>)	\$ 20.0
Home Repair (<i>Department of Housing</i>)	\$ 4.5
Preservation of Affordable Units (<i>Department of Housing</i>)	\$ 0.5
	\$ 206.0
Services	
Homelessness Infrastructure (<i>Department of Housing</i>)	\$ 45.0
Homelessness Assistance Program (<i>Department of Housing</i>)	\$ 38.8
Municipal Homelessness Support (<i>Department of Housing</i>)	\$ 2.2
Down Payment Assistance (<i>RIHousing</i>)	\$ 30.0
	\$ 116.0
Planning/Infrastructure	
Predevelopment/Capacity Building (<i>Department of Housing</i>)	\$ 1.5
Statewide Housing Plan (<i>Department of Housing</i>)	\$ 2.0
Housing Related Infrastructure (<i>Infrastructure Bank</i>)	\$ 3.0
Municipal Planning (<i>Department of Housing</i>)	\$ 2.3
Proactive Housing Development (<i>RIHousing</i>)	\$ 1.4
	\$ 10.2
Total	\$ 332.2

Note: SFRF stands for State Fiscal Recovery Fund; CCHRC stands for the Housing Resources Coordinating Committee
 Source: House Fiscal Advisory Staff, 2024-7225 Substitute A; Housing as Enacted FY 2024; Senate Fiscal Office, SFRF Update

Figure 9
Categories of Housing Investments from \$332.2 Million SFRF Allocation
FY 2022 - FY 2025 (\$ Millions)



Note: SFRF is State Fiscal Recovery Fund
 Source: House Fiscal Advisory Staff, Housing as Enacted: FY 2025; RIPEC calculations

Planning/Infrastructure

The \$10.2 million SFRF appropriation for planning and infrastructure included \$2.0 million for a statewide housing plan to evaluate current and future housing needs, establish obstacles to homeownership and housing affordability, and identify the tools to assist disproportionately affected

¹³³ House Fiscal Advisory Staff, [Housing as Enacted: FY 2024](#), July 2023; Senate Fiscal Office, [SFRF Update](#), January 2023.

individuals and communities.¹³⁴ The Department of Housing also received an appropriation of \$2.3 million to provide technical assistance to municipalities to help navigate the development of affordable housing. In addition, the Department received \$1.5 million for predevelopment and capacity building.¹³⁵ The General Assembly allocated the remaining funds in this category (\$1.4 million) to create a new Proactive Housing Development subsidiary within Rhode Island Housing.¹³⁶ The purpose of this subsidiary is to identify developments that could help the state meet its housing challenges and to work proactively to produce affordable housing units.¹³⁷

Services

The SFRF housing allocations to services went to two main areas: support for those experiencing homelessness and a down-payment assistance program for homeownership. The Department of Housing was responsible for administering the homelessness assistance allocations. The largest tranche of these funds (\$45.0 million) was for homelessness infrastructure used to support programs to respond to and prevent homelessness through constructing or contracting for permanent shelter or other housing solutions. Of this allocation, \$10.0 million was committed to CrossroadsRI to produce 176 units of permanent supportive housing for the homeless, with the remainder going to expand shelter operations and services.¹³⁸ The next largest allocation (\$38.8 million) provided funds for a homelessness assistance program, designed to expand housing navigation, behavioral health, and stabilization services to address pandemic-related homelessness.¹³⁹ The \$30.0 million for the Down Payment Assistance Program offered up to \$17,500 to eligible, prospective home buyers.¹⁴⁰ RIHousing has awarded 1,672 contracts for down payment assistance, with the program expected to be fully expended by the end of 2024.¹⁴¹

Production/Preservation

Nearly all of the \$206.0 million appropriation for production and preservation was targeted to increase the production of affordable housing, with the General Assembly choosing to spread the dollars over eight programs, all with similar objectives but different rules. While the Assembly

¹³⁴ R.I. House Fiscal Advisory Staff, [Housing as Enacted: FY 2024](#). The Department of Housing contracted with ABT Associates to develop this plan to be released in multiple phases in the summer and winter of 2024. R.I. Department of Housing, "[Senate Finance Committee Hearing, Presentation to the Senate Finance Committee](#)," April 30, 2024.

¹³⁵ This was designed to be used to increase staffing, research and data analysis, and stakeholder engagement to expand services for those experiencing homelessness. R.I. Gen. Assembly, [2022 - H 7123](#).

¹³⁶ Rhode Island General Assembly, [2023--Article 1 as Amended](#).

¹³⁷ In January 2024, RIHousing established a standing committee to plan and guide the proactive development activities of the new subsidiary, but the subsidiary has yet to be created. RIHousing, "[Amendment of By-laws](#)," January 11, 2024.

¹³⁸ This included a purchase agreement for the former Charlesgate Nursing Center and a contract with House of Hope for the creation of Echo Village, a 45-unit pallet shelter. RI Senate Fiscal Office, [American Rescue Plan Act State Fiscal Recovery Funds: FY 2024 Q2 Updates](#), April 2024.

¹³⁹ R.I. Gen. Assembly, [2023—Article 1 as Amended](#).

¹⁴⁰ To be eligible, applicants had to be first-time homebuyers purchasing a one- to four-bedroom home or condominium in Rhode Island. Applicants had to meet income and credit score guidelines, live in the home as their primary residence, and complete a RIHousing-approved homebuyer education course. Office of the Governor, "[Governor McKee Announces Launch of Statewide Program to Help First-time Homebuyers](#)," January 25, 2023.

¹⁴¹ RIHousing, [SFRF Program Dashboard](#), accessed September 19, 2024. The 2023 General Assembly issued the authority to provide as much as \$20,000 per eligible homebuyer, but RIHousing determined the original contract of \$17,500 was the appropriate amount. *Ibid.*

identified the agencies responsible for each program, only general direction about the programs was provided.¹⁴² RIHousing was given responsibility for six programs, with the Department of Housing responsible for the remaining two programs.

The largest allocation (\$100.0 million) was committed to RIHousing for the Development of Affordable Housing program, which had two components: an allocation for the development of affordable housing (\$90.0 million) and a new pilot program to support low-income public housing (\$10.0 million).¹⁴³ The Assembly provided limited guidance for the development of affordable housing program, only designating the funds to RIHousing for the development of affordable housing units and requiring they be used in conjunction with existing general obligation bond funds and other sources of available financing.¹⁴⁴

RIHousing also was allocated \$20.5 million to expand its existing community revitalization and home repair program (CRP). In the original FY 2023 appropriation, the Assembly required RIHousing to direct program funding for this allocation toward the acquisition and redevelopment of blighted properties to increase the number of commercial and community spaces and/or to increase the development of affordable housing.¹⁴⁵ For FY 2024, the Assembly amended the program to require that residential developments serve households earning no more than 80.0 percent of AMI and that commercial and community spaces must meet the needs of a census tract where at least 51.0 percent of the residents are low-and moderate-income persons.¹⁴⁶

RIHousing was further given responsibility for administering the funds for affordable housing predevelopment (\$10.0 million) and site acquisition (\$25.0 million). The 2022 General Assembly provided limited guidance for both programs. The predevelopment program funds were to be used to help build a pipeline of new projects to support affordable housing development and increase the capacity of affordable housing developers in the state. The site acquisition program was to be used toward the acquisition of properties for redevelopment as affordable and supportive housing.¹⁴⁷ For FY 2024, the General Assembly provided an additional requirement that these properties include an income-based deed restriction of not less than 30 years.¹⁴⁸ The Assembly also created a workforce housing program (\$20.0 million), again without further direction, to support the development of

¹⁴² For more information see R.I. Gen. Assembly, [2021 – H 6494 Substitute A](#); [2022 – H 7123](#); [2023 – Article 1 as Amended](#).

¹⁴³ The Development of Affordable Housing Program was also allocated over three fiscal years (FY 2022 to FY 2024) in two separate tranches of \$15.0 million in FY 2022 and \$75.0 million in FY 2023. The first, was designated the Rhode Island Rebound Production Fund, the second was labeled the Development of Affordable Housing program by the General Assembly. RIHousing labeled the second tranche of funding the Development of Affordable Housing 2 (DAH-2) program. For clarity, RIPEC consolidates these programs in its analysis. The Public Housing Pilot program was designated to RIHousing to establish a pilot program that could include the creation of a revolving fund to support low-income public housing through project-based rental assistance vouchers or financing for predevelopment, rehabilitation, or production. \$8.1 million was distributed to three developments Park Holm V, Narragansett Housing Authority, and Galego Court. This amount represents the totality of the Public Housing Plot Program funds. Ibid; RIHousing, [“Public Housing Authority Fund Program Description”](#); [“Approval of Public Housing Authority Program Funding Awards,”](#) November 20, 2023.

¹⁴⁴ R.I. Gen. Assembly, [2021 – H 6494 Substitute A](#); [2022 – H 7123](#).

¹⁴⁵ R.I. Gen. Assembly, [2022 – H 7123](#).

¹⁴⁶ There was an additional allocation of \$4.5 million for a home repair program—as part of the community revitalization funds—to be administered by the Department of Housing, bringing the total community revitalization allocation to \$25.0 million. R.I. Gen Assembly, [2023 – Article 1 as Amended](#).

¹⁴⁷ R.I. Gen. Assembly, [2022 – H 7123](#).

¹⁴⁸ R.I. Gen Assembly, [2023 – Article 1 as Amended](#).

housing for households making up to 120.0 percent of AMI. RIHousing would later call this the Middle-Income Loan Program (MI).¹⁴⁹

With respect to the two programs administered by the Department of Housing, in FY 2024 the General Assembly created the Targeted Housing Development program (THD). The THD program received an allocation of \$27.0 million for a Priority Projects Fund (PPF) to advance permanent supportive housing, housing dedicated to vulnerable populations, individuals transitioning out of state care, and extremely low-income Rhode Islanders. The THD program also was allocated an additional \$4.0 million to support the development of transit-oriented housing.¹⁵⁰

While the General Assembly used only general language in describing the objectives of the programs to be administered by RI Housing and the Department of Housing, it directed nearly all the funding to the production of affordable units for low-income households, with less than 10.0 percent of the total allocation for production and preservation of housing units for middle-income households under the MI program.¹⁵¹

Design of SFRF Housing Production Programs

Combination of Funds

By design and in practice, funding from SFRF-funded programs were utilized in combination—and also were blended with bond or other financing sources—to support affordable housing projects.¹⁵² Similarly, Rhode Island Housing stipulated that awards for the agency’s three production programs— Development of Affordable Housing Program/Rhode Island Rebounds Production Fund (DAH-2), CRP, and MI—should be matched with, “other public and private funds for the development of the proposed units.”¹⁵³ The combination of funds also was encouraged by the creation of a one-stop portal, where developers could apply for multiple production programs with one application. Figure 10 depicts the various funding streams utilized to finance new construction affordable housing projects funded with SFRF dollars.¹⁵⁴

¹⁴⁹ R.I. Gen. Assembly, [2022 – H 7123](#).

¹⁵⁰ Ibid.

¹⁵¹ In addition, RI Housing’s CRP and DAH-2 programs were both focused on affordable housing for low-income households, with the CRP specifically designated for households earning less than 80.0 percent AMI. The PPF, which received the most direction from the Assembly, was designed to assist vulnerable populations, including those experiencing homelessness. RIHousing, “[Development of Affordable Housing 2 \(‘DAH-2’\)](#),” accessed June 26, 2024. The CRP considers those who make below 60.0 percent AMI as part of its scoring criteria. RIHousing, “[Community Revitalization Program \(‘CRP’\) Description](#),” accessed June 26, 2024; R.I. Gen. Assembly, [2021 – H 6494 Substitute A](#); [2022 – H 7123](#); [2023 – Article 1 as Amended](#).

¹⁵² The legislative language allocating funding for the development of affordable housing specifically calls for the funds to be paired with general obligation bond and other sources of financing. R.I. Gen. Assembly, [2021 – H 6494 Substitute A](#); [2022 – H 7123](#).

¹⁵³ Ibid.

¹⁵⁴ Affordable housing is defined as the creation of deed-restricted units at or below 80.0 percent AMI. Middle-Income units are defined as deed-restricted units between 80.0 and 120.0 percent AMI. RIPEC calculations.

Figure 10
State and Federal-One Time Sources of
Investment for the SFRF-Funded
New Construction of Affordable and
Middle-Income Housing
2021-2024 (Millions \$)

Program	Allocation
Development of Affordable Housing (SFRF)	\$ 68.8
Public Housing Pilot (SFRF)	\$ 6.8
Community Revitalization (SFRF)	\$ 12.7
Middle Income (SFRF)	\$ 16.4
Targeted Housing Development (SFRF)	\$ 24.7
Site Acquisition (SFRF)	\$ 5.2
Predevelopment (SFRF)	\$ 2.4
Homelessness Infrastructure (SFRF)	\$ 10.0
Building Homes Rhode Island (Bond)	\$ 38.8
Acquisition and Revitalization (Bond)	\$ 8.6
Housing Production Fund (General Revenue)	\$ 15.0
Other State Programs	\$ 22.8
Other Federal One-Time Allocations	\$ 12.6
Total	\$ 244.7

Note: Other state programs include State Historic Tax Credits and Energy Rebate Programs. Other federal programs include ERA-2, a one-time federal program originally used for rental assistance, but was available for production. Dollar figures represent both firm and preliminary commitments.

Source: RIHousing SFRF Program Dashboard, RIPEC calculations.

Of the 42 developments receiving SFRF funding for production, 32 (76.2 percent) relied on multiple streams of state or federal one-time money.¹⁵⁵ These 32 projects relied on an average of 3.8 separate streams of SFRF, state, or other federal one-time dollars for funding.¹⁵⁶

Priority of Low-Income Rhode Islanders

The criteria for selecting SFRF-funded projects generally reflect a continuation of policies—and in some cases, the replication of requirements—outlined in the QAP that RIHousing uses for its 9.0

¹⁵⁵ Funding streams include all SFRF programs, BHRI, ARP, HPF, State Energy Rebates, Federal and State Historic Tax Credits, and other pandemic era one-time funds. RIHousing, [SFRF Program Dashboard](#), accessed June 26, 2024; RIPEC calculations.

¹⁵⁶ Of the ten projects financed with only one source of SFRF production money, all ten were funded either through the MI program or the pilot program to support low-income public housing. Ibid.

percent LIHTC program. Most prevalent of these policies is an emphasis on the production of housing for low-income Rhode Islanders, those experiencing homelessness, and people with special needs. The Priority Projects Fund, administered by the Department of Housing, was specifically designed for this purpose and qualifying developments were required to address the needs of these populations. Two other SFRF production programs administered by RIHousing—CRP and DAH-2—gave considerable scoring weight to projects providing housing for those making less than 60.0 percent AMI. The DAH-2 program places special weight on this factor, awarding nearly half (47.8 percent) of the total available scoring points to developments that service households earning less than 30.0 percent AMI.¹⁵⁷

Mixed-Income/Market-Rate Units

Conversely, of all SFRF-funded programs, only the MI program offered credit to projects that included mixed-income or market-rate units. All other SFRF programs either were restricted entirely to funding housing units serving households under 80.0 percent AMI or gave no scoring credit to projects offering mixed-income units.¹⁵⁸

Social and Other Objectives Supplemental to the Provision of Housing

Another element of the QAP prevalent in the scoring criteria for SFRF production programs is the favoring of projects that meet social or other objectives supplemental to the provision of housing. The QAP provides incentives to developers who revitalize blighted buildings or neighborhoods, build sustainable and equitable communities, and serve the needs of Rhode Island businesses.¹⁵⁹ The SFRF production programs all include various aspects of supplemental goals in their scoring criteria. For example, DAH-2, CRP, and the PPF programs all provide scoring credit to developments based on how they might contribute to a community revitalization strategy or address community needs.¹⁶⁰

Financial Considerations

The SFRF production programs also replicated the QAP's de-emphasis of financial considerations in its scoring elements relative to other considerations. Financial considerations in the 2024 QAP—total development cost per unit, LIHTCs per unit, and the amount of other financial sources leveraged—constitute less than half of the maximum number of points a developer could receive in an application for funding (43.5 percent). Financial considerations similarly are given relatively little

¹⁵⁷ RIHousing, "[Development of Affordable Housing 2 \('DAH-2'\)](#)," accessed June 26, 2024. As part of its scoring criteria, the CRP considers those who make below 60.0 percent AMI. RIHousing, "[Community Revitalization Program \('CRP'\) Description](#)," accessed June 26, 2024.

¹⁵⁸ RIHousing, "[Development of Affordable Housing 2 \('DAH-2'\)](#)," accessed June 26, 2024; "[Community Revitalization Program \('CRP'\) Description](#)," accessed June 26, 2024;

¹⁵⁹ RIHousing, "[2022 Qualified Allocation Plan; 2023 Qualified Allocation Plan; 2024 Qualified Allocation Plan](#)."

¹⁶⁰ RIHousing, "[Development of Affordable Housing 2 \('DAH-2'\)](#)," accessed June 26, 2024; RI Department of Housing, "[Priority Projects Fund \('PPF'\) Program Description](#)," accessed June 26, 2024; RIHousing, "[Middle-Income Program Description](#)," accessed June 26, 2024. RIHousing, "[Community Revitalization Program \('CRP'\) Description](#)," accessed June 26, 2024; "[Priority Projects Fund \('PPF'\) Program Description](#)," accessed June 26, 2024; "[Middle-Income Program Description](#)," accessed June 26, 2024.

scoring weight in the evaluation of projects for awards for three of the SFRF-funded production programs: DAH-2 (38.5 percent), CRP (27.8 percent), and the PPF (25.0 percent).¹⁶¹

The scoring criteria for the two bond-funded programs, BHRI IV and ARP, were used in concert with the SFRF-funded programs and also were closely aligned with the funding priorities laid out in the state’s QAP. Both programs provide incentives to provide housing for extremely low-income Rhode Islanders and neither offers any credit to developments having middle-income or market-rate units.¹⁶² Social and other goals supplemental to the provision of housing also weigh heavily in both program guidelines. Developments can earn scoring credit under these programs for including services to special needs populations, providing community engagement, using minority or women-business enterprises, or providing job creation, among other considerations.¹⁶³ Lastly, financial considerations function as secondary criteria, with cost effectiveness making up less than 10.0 percent of the BHRI IV scoring and less than 15.0 percent of Acquisition and Revitalization Program (ARP) scoring.¹⁶⁴ Like the SFRF production programs, the bond funded programs offer less weight to financial considerations than the QAP (43.5 percent).

Analysis of SFRF Affordable Housing Programs—Methodology

Analyzing SFRF-funded affordable housing programs raises several challenges. First, since the programs were designed to be combined with each other and with other state and federal funding sources, an analysis of the return on investment of individual programs is not feasible. Instead, RIPEC’s analysis includes all state investments, including SFRF, other one-time pandemic relief funding, bond funds, and other state programs, to assess the efficiency of total state investments in relation to production of affordable housing units.¹⁶⁵ Second, there is the challenge of comparing projects serving households of different AMI levels, since greater subsidies typically are required to assist households of lower income. The developments included in this analysis vary considerably in terms of the income levels served, with projects ranging from serving only one AMI level to projects with units serving as many as six different AMI levels.¹⁶⁶ To account for these differences, RIPEC utilizes a weighted average AMI level of a project’s affordable units to compare subsidy levels among

¹⁶¹ These percentages relate to the maximum number of points available to an applicant. Ibid.

¹⁶² RIHousing, [“Building Homes Rhode Island: Request for Proposals,”](#) March 2022; [“Property Acquisition and Revitalization Program,”](#) 2021. For example, BHRI IV’s program guidelines call for prioritizing “special needs” households including the homeless, disabled, or elderly. Housing Resources Commission, [Title 860—Housing Resources Commission,](#) accessed July 23, 2024. Developers can earn up to 18.2 percent of total points for serving low-income households under BHRI IV. Developers can also receive points for serving households up to 50.0 percent AMI under ARP scoring. RIHousing, [“Building Homes Rhode Island: Request for Proposals,”](#) March 2022; [“Property Acquisition and Revitalization Program,”](#) 2023.

¹⁶³ Social and other goals supplemental to the provision of housing make up 22.7 percent of BHRI IV’s and 27.3 percent of ARP’s total scoring. Ibid; RIPEC calculations.

¹⁶⁴ Both BHRI IV and ARP include up to a maximum ten points (out of 110 and 90 total points, respectively) for developments with lower total development costs per residential unit. Ibid; RIPEC calculations.

¹⁶⁵ Funds include all SFRF production programs listed in Figure 10, BHRI, ARP, State Historic Tax Credits, all state energy rebate programs, and the federal Emergency Rental Assistance Program (ERA-2).

¹⁶⁶ For example, Copley Chambers II & III serves populations at 30.0 percent AMI, 40.0 percent AMI, 50.0 percent AMI, 60.0 percent AMI, 70.0 percent AMI, and 80.0 percent AMI. RIHousing, [“Firm Approval of Financing for Copley Chambers II & III,”](#) May 18, 2023.

developments.¹⁶⁷ Lastly, given the importance of increasing the supply of affordable housing units, RIPEC’s analysis focuses on measuring only net new units of affordable and middle-income housing and excludes preserved/rehabilitated units. RIPEC’s analysis also excludes mixed-income and market rate developments where such units do not qualify under program rules and thereby do not receive subsidy.¹⁶⁸ The summary analysis will begin with a high-level description of the total investment made with SFRF dollars.

SFRF Developments: Summary Analysis

Total Investment

The state spent \$273.2 million on 42 developments affecting a total of 2,369 units. Of these units, 1,759 were affordable to those making below 80.0 percent AMI, 175 were affordable to middle-income households (between 80.0 percent and 120.0 percent AMI), and 435 were market-rate units (no income restrictions).¹⁶⁹ Of the 1,759 affordable units, 1,441 were the result of new construction—thereby adding to the existing affordable housing stock. The remaining units included 307 rehabilitated or preserved units, and 11 units including one-for-one replacements. The average cost of each development was \$365,072 per unit with an average state subsidy per affordable and middle-income unit of \$155,289.¹⁷⁰

New Construction

Depicted in Figure 11, in total, the state invested \$244.7 million to finance 32 developments that produced 1,515 net new affordable and middle-income housing units.¹⁷¹ The size of developments ranged widely from four affordable housing units to 176 units, with an average size of 48 units per project. The distribution of affordable units is top heavy; the four largest developments—representing 12.5 percent of the total number of projects—account for 516 units (34.1 percent) of all affordable units financed.¹⁷²

¹⁶⁷ A weighted average is equal to the sum of the product of the weights (number of units), times the data number (income level served), divided by the sum of the weights. RIPEC’s analysis assumes that the primary purpose of the production programs was to produce affordable housing, and that overall state funding would only go towards subsidizing the affordable units of a mixed development. Theoretically, market-rate units should not require subsidy.

¹⁶⁸ Consistent with RIHousing and HUD, RIPEC defines affordable housing as those units that are restricted below 80.0 percent AMI. Middle-income residents are defined as those with incomes between 80.0 and 120.0 percent AMI by HUD and in General Assembly legislation around the MI program. R.I. Gen. Assembly, [2023 – Article 1 as Amended](#). Developments that include substantial rehabilitations as well as new production components do not identify clearly the costs associated with each type of construction, so they are excluded from the analysis.

¹⁶⁹ Market rate units are ineligible for funding under the SFRF programs as well as BHRI, ARP, and HPF.

¹⁷⁰ This state subsidy per affordable unit cited here is lower than the cost for new construction only cited below. This is explained by the inclusion of rehabilitations in the total investment summary analysis. Rehabilitations are generally much less expensive than new construction. Charles Wilkins, 2015, “[Comparing the Life-Cycle Cost of New Construction and Acquisition Rehab of Affordable Multifamily Rental Housing](#),” Housing Policy Debate, 25:4.

¹⁷¹ The Avenue and Central Street developments included a mix of new construction and rehabilitation and produced an additional 69 net new units of affordable housing, bringing the total to 1,584 total net new affordable units. RIHousing, [SFRF Program Dashboard](#), accessed October 1, 2024. RIPEC Calculations. .

¹⁷² Nearly half of projects are less than 40 units per development, with six developments (20.0 percent of all developments) containing fewer than 20 units. Ibid; RIPEC calculations.

Figure 11
SFRF Funded New Construction Projects for Developments
Producing Affordable/Middle-Income Units
2021 - 2024

Project	Total State \$	Affordable Units	Total Units	WAMI Score	State \$ Per/AMUI	Total \$ Per/Unit
1624 Lonsdale	\$ 6,234,329	26	26	80.0%	\$ 239,782	\$ 292,439
23 Central St.	\$ 4,565,575	9	12	50.1%	\$ 507,286	\$ 399,381
321 Knight St.	\$ 5,482,592	41	41	56.9%	\$ 133,722	\$ 502,356
Ade Bethune	\$ 7,271,481	54	54	58.0%	\$ 134,657	\$ 478,738
Bourne Mill III	\$ 4,572,232	47	59	60.0%	\$ 97,282	\$ 374,030
Broad St. Hms.	\$ 10,421,510	44	44	55.9%	\$ 236,853	\$ 553,123
Center City Apts.	\$ 27,788,613	144	144	56.7%	\$ 192,976	\$ 445,047
Clearview Apartments	\$ 1,485,000	19	31	100.0%	\$ 78,158	\$ 199,726
Copley Chambers	\$ 8,353,789	124	124	58.6%	\$ 67,369	\$ 389,376
Crossroads H&H	\$ 9,198,935	35	35	30.0%	\$ 262,827	\$ 446,995
Dexter St. Cmns.	\$ 15,920,000	150	150	101.4%	\$ 106,133	\$ 350,271
East Point	\$ 960,000	12	50	100.0%	\$ 80,000	\$ 266,900
Frenchtown	\$ 10,093,817	56	63	46.8%	\$ 180,247	\$ 474,089
Georgiaville Place	\$ 400,000	5	9	100.0%	\$ 80,000	\$ 322,639
GoodHomes	\$ 2,295,000	27	238	80.0%	\$ 85,000	\$ 105,584
Ivy Pl.	\$ 1,926,118	10	13	80.0%	\$ 192,612	\$ 444,385
Looking Upward	\$ 5,127,265	12	12	46.7%	\$ 427,272	\$ 448,105
Millrace District	\$ 15,156,210	55	70	48.4%	\$ 275,567	\$ 493,393
Old County Village	\$ 1,425,000	15	15	100.0%	\$ 95,000	\$ 400,065
Omni Newark	\$ 3,536,861	52	52	57.9%	\$ 68,017	\$ 384,954
Parcel 9 I	\$ 8,061,979	44	66	50.7%	\$ 183,227	\$ 489,553
Parcel 9 II	\$ 16,435,425	36	61	48.6%	\$ 456,540	\$ 507,609
Park Holm V	\$ 6,750,000	45	45	47.6%	\$ 150,000	\$ 498,204
Postal Apts.	\$ 390,000	4	12	80.0%	\$ 97,500	\$ 194,361
Res. at Riv. Sq.	\$ 2,688,441	16	16	60.6%	\$ 168,028	\$ 361,778
Reynolds Farm Sr.	\$ 9,646,515	40	40	51.8%	\$ 241,163	\$ 417,538
Riverside Lnd.	\$ 3,211,382	8	8	60.0%	\$ 401,423	\$ 406,638
Rosebrook Cmns.	\$ 9,666,500	51	64	52.4%	\$ 189,539	\$ 332,927
Summer St. Apts.	\$ 24,681,461	176	176	30.0%	\$ 140,236	\$ 476,980
The Vllg. Manville	\$ 6,359,547	72	72	60.7%	\$ 88,327	\$ 359,304
Walker Lofts	\$ 12,175,000	32	126	80.0%	\$ 380,469	\$ 422,125
West House II	\$ 2,454,970	54	54	56.7%	\$ 45,462	\$ 341,003
Total	\$ 244,735,547	1,515	1,982	59.0%	\$ 161,542	\$ 379,831

Note: State \$ includes all SFRF programs, BHRI, ARP, HPF, State Historic and RIRebounds Tax Credits, and Emergency Rental Assistance Funds (ERA-2). It is unclear from public documents how many deed-restricted units are included for Dexter St. Commons, this analysis assumes all units will be restricted to those between 80.0 and 120.0 percent AMI.

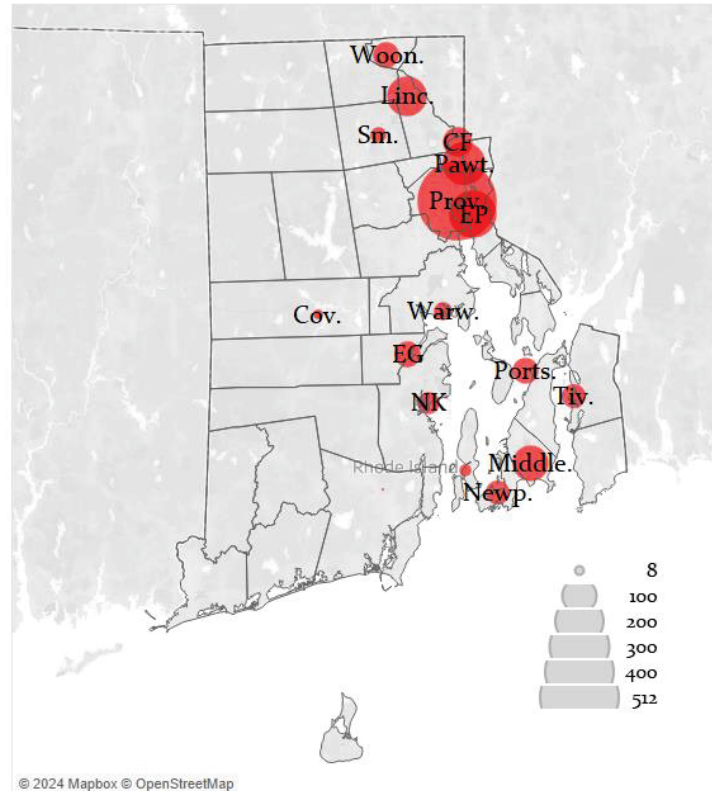
Abbreviations include weighted AMI score (WAMI) and affordable and middle-income units (AMUI).

Source: RIHousing, SFRF Program Dashboard; RIPEC calculations.

Geographic Distribution

SFRF-financed developments were distributed throughout 15 communities in the state, with nearly half of affordable units—682 units, or 45.8 percent—located in only two communities: Providence and East Providence. As of 2023, Providence was one of only four communities that had met state requirements of 10.0 percent affordability and East Providence was at 9.7 percent.¹⁷³ Many areas of the state had no SFRF-funded affordable developments, including the East Bay communities of Barrington, Bristol, Warren, and Little Compton; the coastal communities of Narragansett, South Kingstown, Westerly, and Charlestown; and the rural and suburban communities of Burrillville, Exeter, Foster, Hopkinton, Glocester, North Smithfield, Scituate, and Richmond. As of 2023, none of these communities had reached 10.0 percent of housing affordability required by the state.¹⁷⁴ Figure 12 identifies the geographic location of the relative number of SFRF-financed affordable units developed in each municipality.

Figure 12
SFRF-Financed Affordable Units by Municipality (New Construction) 2022-2024



Source: RIHousing, SFRF Program Dashboard; Board of Commissioners Meeting Minutes. RIPEC calculations

Program Funding Priorities

The funding priorities of SFRF development programs is evident in an aggregate analysis of the SFRF developments.

Total Development Costs

The relatively low priority attached to financial considerations for SFRF projects is evidenced by the relatively high cost per unit for many SFRF developments.¹⁷⁵ The total development cost per unit varied considerably with a low of \$105,584 (GoodHomes Warwick) and a high of \$553,123 (Broad

¹⁷³ RIHousing, [Low- & Moderate-Income Housing By Community](#), accessed October 3, 2024.

¹⁷⁴ As of 2023, only four communities have reached the ten percent threshold. Ibid.

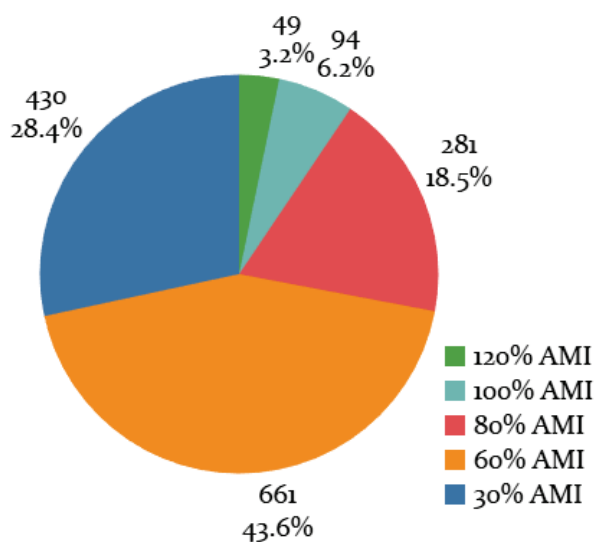
¹⁷⁵ Total development costs include the cost of construction, contingency, acquisition, soft costs, financing, developer fee, and operating and other reserves. U.S. HUD, Jeff Hamann, "[What is Total Development Cost?](#)" September 12, 2023.

Street Homes), but the average total development cost per unit was \$379,831, with more than half of the affordable units (53.1 percent) costing over \$400,000 per unit. Twenty-three developments (71.9 percent) had a higher per unit cost than the median selling price of a condominium (\$357,000).¹⁷⁶ Three developments (10.0 percent of all developments) have total development costs higher than \$500,000 per unit. There was also a wide range of the level of state investment subsidy required per affordable unit, with a state subsidy as low as \$45,462 (West House II) and as high of \$507,286 (23 Central Street). The average state subsidy per affordable unit was \$161,542.

Income Levels

With respect to the income levels served by the SFRF-funded projects, developments generally provided housing affordable to lower-income households. As depicted in Figure 13, of the 1,515 affordable and middle-income units developed, 28.4 percent (430) were restricted to incomes below 30.0 percent AMI and 43.6 percent (661) were restricted to below 60.0 percent AMI. Fewer than one in five units (281) were restricted to households making up to 80.0 percent AMI, and fewer than in one ten (143) were middle-income units between 80.0 and 120.0 percent AMI. Nearly two-thirds of developments had a weighted AMI score of 60.0 percent or below, with an average weighted AMI score for all developments of 59.0 percent.

Figure 13
SFRF-Funded Newly Constructed Affordable Units by Income Restriction 2021-2024



Note: AMI is area median income. SFRF is State Fiscal Recovery Fund.
 Source: RIHousing SFRF Data Dashboard; RIPEC calculations.

Social and Other Goals Supplemental to the Provision of Housing

The prioritization of social and other goals supplemental to the provision of housing are also evident in SFRF-funded project analysis, with 25 out of 32 developments (78.1 percent) including at least one such objective. For example, 11 developments either involved remediating a blighted property or included a substantial historic reconstruction (or both), 14 developments include a commercial or community space, and ten include wrap-around services or partnerships with service providers.¹⁷⁷

¹⁷⁶ RI Association of Realtors, “[Realtors report slow sales but more equity gains in 2023](#),” January 30, 2024.

¹⁷⁷ Wrap-around services include personalized support and resources for households to address the challenges associated with experiencing homelessness. Service might include drug or alcohol counselling, medical services, or employment and income supports. Housing Forward, [Wraparound Services](#), accessed September 19, 2024.

Mixed-Income/Market-Rate Units

The majority of SFRF-financed developments were either 100.0 percent affordable or 100.0 percent middle-income (17 total, 53.1 percent).¹⁷⁸ Of the 15 developments that included mixed income units, more than two-thirds offered less than 25.0 percent of units to those of mixed income. Only nine developments included market-rate units and only three developments (10.0 percent of all projects) had a majority middle-income or market-rate units.¹⁷⁹

SFRF Developments: State Subsidy vs. Weighted AMI Score

Figure 14 depicts all the SFRF-financed projects in terms of each project's state subsidy per affordable unit in relation to average weighted AMI score, with the relative number of units for each project represented by the size of the dot corresponding to the project. The diagonal line represents the average ratio between the amount of state subsidy and the average weighted AMI score. Figure 14 illustrates the inverse relationship between the state subsidy and average weighted AMI, with the level of state subsidy declining as the average weighted AMI served increases.¹⁸⁰

Developments of Note

Analysis of the SFRF expenditures identifies a number of developments that have both relatively high and relatively low levels of state subsidy in terms of affordable units produced. This section presents greater detail on two projects that required a relatively large amount of state subsidy per affordable unit and two developments that delivered greater return on investment in terms of state subsidy per unit.

Parcel 9 Phase II

This development is a new construction, mixed-income development to be built on a vacant parcel in the Fox Point neighborhood in Providence. It is the second phase of a two-stage development. Parcel 9 Phase I is a 66-unit development (44 affordable and 22 middle-income units) and includes a Head Start daycare facility.¹⁸¹ Parcel 9 II is a 61-unit development with 13 units restricted to households earning below 30.0 percent AMI, two units restricted at below 50.0 percent AMI, 21 units at below 60.0 percent AMI, 13 units at below 100.0 percent AMI, and 12 market-rate units (above 120.0 percent AMI). Both developments are part of the I-195 redevelopment zone. The developer—Penrose, LLC—will partner with the nonprofit Operation Stand Down to provide services for qualified veterans who live in the development.¹⁸²

¹⁷⁸ This includes both developments that were 100.0 percent affordable to those making less than 80.0 percent AMI and affordable to those making between 80.0 and 120.0 percent AMI. RIPEC calculations.

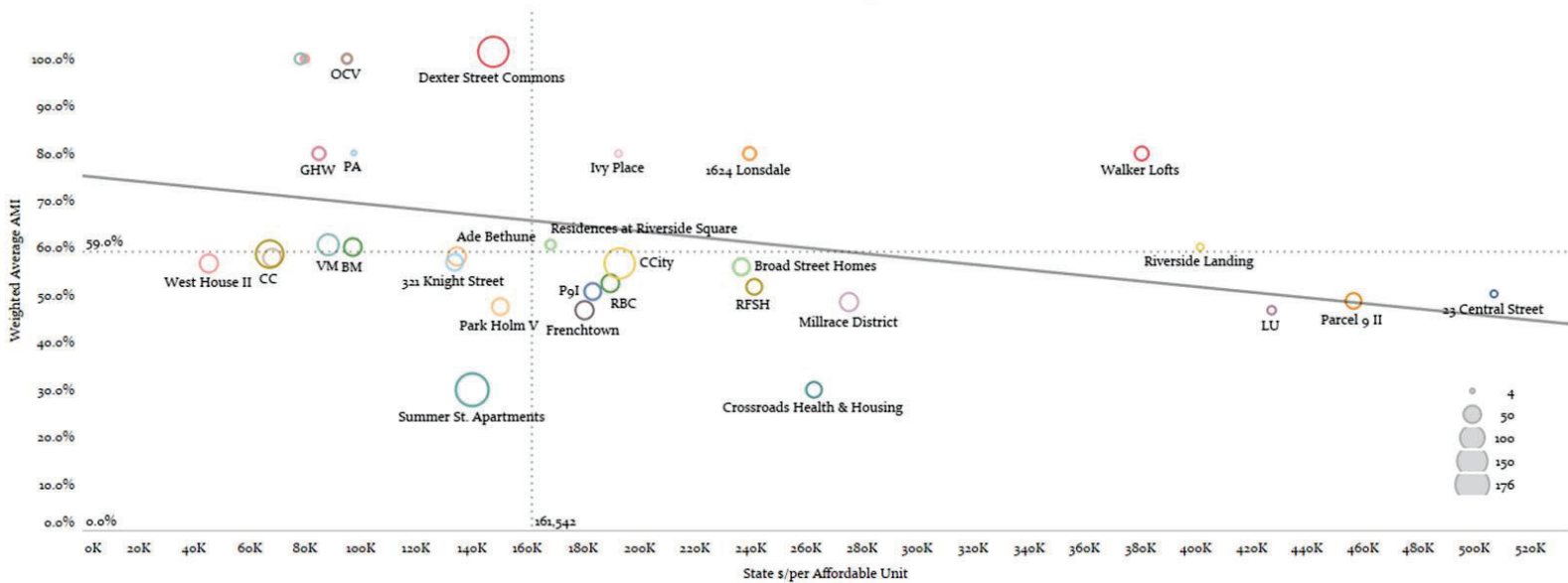
¹⁷⁹ RIPEC calculations.

¹⁸⁰ This relationship is statistically significant with a p-value of 0.042. RIPEC calculations.

¹⁸¹ RIHousing, "[Approval of Low-Income Housing Tax Credits and Firm Approval of Financing of Parcel 9 I](#)," March 16, 2023.

¹⁸² RIHousing, "[Approval of Reservation of Low-Income Housing Tax Credits and Preliminary Approval of Financing for Parcel 9 Phase II](#)," May 16, 2024.

Figure 14
SFRF Funded New Constructed Developments
State Subsidy per Unit vs. Weighted AMI Score
2021 - 2024



Note: The line of best fit between weighted average AMI and state subsidy per affordable unit is statistically significant with a p-value of 0.042. The size of the circles represents the size of developments. Developments range from 176 units (Summer St. Apartments) to four (Postal Apartments). Omni Newark overlaps with Copley Chambers. Copley Chambers (CC), The Villages at Manville (VM), Bourne Mill III (BM), GoodHomes Warwick (GHW), Postal Apartments (PA), Center City Apartments (CCity), P9I (Parcel 9 I), Rosebrook Commons (RBC), Reynolds Farm Senior Housing (RFSH), and Looking Upward (LU) are abbreviated. East Point, Omni Newark, and Clearview Apartments are not labeled.
 Source: RIHousing, SFRF Program Dashboard, RIPEC calculations.

Parcel 9 II was approved for preliminary financing in May 2024. The total development cost is anticipated to be \$31.0 million—a per unit cost of \$507,609 with a state subsidy of \$456,540. The development received a total of \$16.4 million in state and federal one-time allocations (representing 53.1 percent of total project costs). Subsidies included \$8.2 million from the Development of Affordable Housing Program, \$1.3 million from the Priority Projects Fund, \$1.8 million from the Acquisition and Revitalization Program, \$2.3 million from the Housing Production Fund, \$1.7 million from the ERA-2 Program, and \$962,253 from Building Homes Rhode Island. The development also received a \$1.5 million award from the Housing Production Fund Extremely Low-Income Operating Reserve Program and eight project-based housing vouchers from the Providence Housing Authority to support the units restricted to below 30.0 percent AMI.¹⁸³ In addition to these sources, the development is anticipated to raise \$9.0 million from the sale of 9.0 percent LIHTCs and received HOME, Housing Trust Funds, and additional federal subsidies totaling \$3.9 million.¹⁸⁴

Concerns about the level of subsidy required for Parcel 9 II were raised by the Credit Committee of the Board of Commissioners in May 2024. In response, RIHousing staff cited the need to expeditiously appropriate the funding.¹⁸⁵

23 Central Street

This project—developed by Pawtucket Central Falls Development Corporation and located in Central Falls—is comprised of the new construction of 12 rental units. Of these units, three are affordable to those earning less than 60.0 percent AMI, six are affordable to those earning less than 80.0 percent AMI, and three are designated as market-rate units. The development is adjacent to the Central Street Development, a 9.0 percent LIHTC project by the same developer. Central Street Development also received SFRF dollars and included commercial space, a Homeownership Center, and a “Tech Hub” operated by New England Technology.¹⁸⁶ 23 Central Street is part of the “Designated Redevelopment Area 1” of Central Falls and is in partnership with the nonprofit Foster Forward, which has committed operating support for the three units designated below 30.0 percent AMI for individuals who are aging out of foster care and who may be experiencing homelessness.¹⁸⁷

23 Central Street anticipates total project costs of \$4.8 million, or \$399,881 per unit. The project is supported by \$1.2 million from the Priority Projects Fund, \$1.0 million from the Acquisition and Revitalization Program, \$147,000 in predevelopment funds, and \$2.2 million from the Housing Production Fund. In total, the state invested \$4.6 million into the development, representing 95.1

¹⁸³ Ibid; [“Approval of Housing Production Fund Extremely Low-Income Operating Reserve Awards,”](#) May 16, 2024.

¹⁸⁴ RIHousing, [“Approval of Reservation of Low-Income Housing Tax Credits and Preliminary Approval of Financing for Parcel 9 Phase II,”](#) May 16, 2024.

¹⁸⁵ RIHousing, [“Credit Committee of the Board of Commissioners,”](#) May 8, 2024. Discussion of Parcel 9 Phase II begins at approximately 23:00 minutes of the recording. This discussion was described in the minutes: “The committee also reviewed the pricing structure and funding sources, subsidies, and that there’s no cap on the amount [sic] of subsidies for market units.” [“Minutes of the Meeting of the Credit Committee,”](#) May 8, 2024.

¹⁸⁶ RIHousing, [“Firm Approval of Reservation of Low-Income Housing Tax Credits and Financing for Central Street Development,”](#) January 11, 2024.

¹⁸⁷ RIHousing, [“Approval of Housing Production Fund Funding Awards,”](#) May 16, 2024.

percent of total project costs. The state subsidy per affordable unit was \$533,175, and the subsidy for all units was \$380,464 per unit.¹⁸⁸

GoodHomes Warwick

GoodHomes Warwick is a 238-unit development with 27 one-bedroom units affordable to households earning less than 80.0 percent AMI. The remaining 221 units are studio apartments designated as market-rate units by RIHousing; however, they are anticipated to be affordable to those earning less than 120.0 percent of AMI.¹⁸⁹ The development is a remodel of the former Sheraton Hotel on Post Road in Warwick. The total development cost is anticipated to be \$24.6 million or \$103,366 per unit. The state provided \$2.3 million for the 27 affordable units under the Middle Income Program which represents an investment of \$85,185 per affordable unit. The state subsidy comprised 9.3 percent of total development costs.¹⁹⁰

West House II

This development—currently under construction in Middletown—is a 54-unit, 100.0 percent affordable development with 6 units affordable to those earning less than 30.0 percent AMI and 48 units affordable to those earning up to 60.0 percent AMI. This development is a three-story addition to West House I, a 50-unit U.S. HUD housing development. Residents of West House II will have access to West House I parking and common areas that include a library, nurses' office, fitness center, coffee shop, and computer lab.¹⁹¹

Using existing land, parking, and amenities, the total development cost is \$18.4 million or \$341,327 per unit.¹⁹² State subsidies totaled \$2.5 million, representing a total of \$45,462 per affordable unit and only 13.3 percent of total development costs.

¹⁸⁸ Ibid. RIPEC calculations.

¹⁸⁹ The market-rate units did not qualify for the Middle-Income Program due to their size. RIHousing, "[Approval of Middle Income Loan Program Funding Awards](#)," May 16, 2024.

¹⁹⁰ Ibid. RIPEC calculations.

¹⁹¹ RIHousing, "[Approval of Reservation of Low-Income Housing Tax Credits and Firm Approval of Financing for West House II](#)," February 16, 2023.

¹⁹² RIHousing, "[SFRF Development: West House II](#)," accessed October 2, 2024.

VI. 2024 Housing Bond

Governor's FY 2025 Proposed Housing Bond

The governor's proposed FY 2025 budget included a bond referendum for housing and community opportunity in the amount of \$100 million, far exceeding the next largest housing bond ever issued by the state (\$65.0 million in 2021). While the governor's budget proposal did not include details as to how the bond proceeds would be allocated, the Secretary of Housing provided specifics in testimony to the House Finance Committee in February 2024.¹⁹³ The proposed bond included \$42.5 million for the production and preservation of affordable rental units and "at least" \$30.0 million to produce homeownership units.¹⁹⁴ The bond also targeted \$7.5 million for the Priority Projects Funds, an existing SFRF-financed program administered by the Department of Housing for vulnerable Rhode Islanders at risk of homelessness including veterans, seniors, and those transitioning out of foster care. Additionally, the bond was to include \$5.0 million to produce accessory dwelling units, \$5.0 million to the existing community revitalization program, and \$5.0 million to mixed-use projects (projects that include commercial space or daycare centers). The final \$10.0 million would be left for site acquisition, site readiness, and infrastructure to aid in the development of affordable housing.¹⁹⁵

FY 2025 Housing Bond as Enacted

The General Assembly made several significant changes to the governor's proposal. The Assembly increased the total amount of the bond offering to \$120.0 million and included a substantial increase for the production and preservation of affordable housing, from \$42.5 million to \$80.0 million. Of this amount, \$10.0 million was authorized to be used to support a new program for public housing development.¹⁹⁶ The bond also includes \$10.0 million to support community revitalization through property acquisition and the redevelopment of existing buildings, as well as \$5.0 million to foster the acquisition of properties for redevelopment as affordable and supportive housing, \$4.0 million to support pre-development and the physical infrastructure necessary to produce additional affordable housing, and \$1.0 million to aid municipalities in planning and zoning. Finally, the Assembly included \$20.0 million to increase the production of low and moderate and middle-income housing intended for homeownership—a \$10.0 million reduction from the governor's homeownership proposal.¹⁹⁷ Figure 15 depicts the breakdown of the enacted housing bond that will be presented to the voters in November 2024.

¹⁹³ R.I. OMB, Fiscal Year 2025 Budget Proposal, [Executive Summary](#); R.I. Dept. of Housing, "[Department of Housing Updates](#)," House Finance Committee Handout, February 29, 2024.

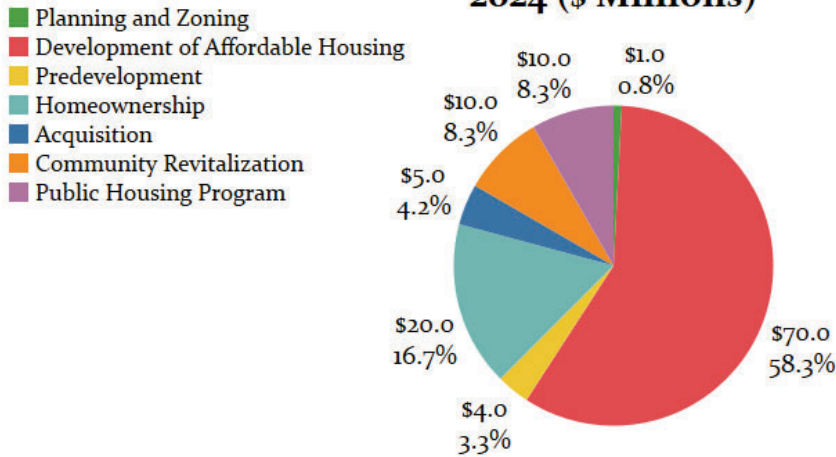
¹⁹⁴ For reference, BHRI IV appropriated \$6.2 million for the development of affordable homeownership units, but there were not a dedicated set of funds specific to that purpose. R.I. Housing Resources Commission, "[Building Homes Rhode Island: Availability of Funds](#)."

¹⁹⁵ R.I. Dept. of Housing, "[Department of Housing Updates](#)," House Finance Committee Handout, February 29, 2024.

¹⁹⁶ It is unclear whether this designation precludes the money being used for the public housing pilot financed with SFRF dollars under the DAH-2 program.

¹⁹⁷ Ibid.

Figure 15
\$120 Million Housing Bond as Enacted
2024 (\$ Millions)



Source: House Fiscal Advisory Staff, Housing as Enacted: FY 2025

Projected Housing Production of FY 2025 Bond

Analysis of the most recent 2021 bond issue—allocated through BHRI IV—and the SFRF production programs offers insight into the level of production the new housing bond is projected to generate. Figure 16 depicts recent BHRI and SFRF investments in both homeownership and rental projects.¹⁹⁸ Each homeownership unit required a state subsidy of \$157,443 and each new rental unit required a subsidy of \$174,254, with total development costs of \$359,830 per homeownership unit and \$440,990 per rental unit. The General Assembly’s proposed housing bond dedicates \$80.0 million for rental units and \$20.0 million for homeownership.¹⁹⁹ Assuming current spending and cost trends remain constant, the total investment of \$100.0 million of new construction under the bond is projected to

Figure 16
BHRI IV/SFRF Production
(New Construction)

	Homeownership	Rental Units
Bond/One-Time Federal Investment	\$ 8,029,594	\$ 156,480,313
Affordable Units	51	898
State Investment Per Unit	\$ 157,443	\$ 174,254
Outside Investment	\$ 17,158,532	\$ 251,777,528
Bond/One-Time Federal Investment	\$ 8,029,594	\$ 156,480,313
\$ Leveraged	\$ 2.1	\$ 1.6
Total Development Cost	\$ 25,188,126	\$ 434,375,529
Affordable Units	51	898
Cost Per Affordable Unit	\$ 493,885	\$ 483,714

Source: RIHousing; R.I. Department of Housing; RIPEC calculations.

¹⁹⁸ RIPEC included developments that received bond (BHRI and ARP) funds and included all other federal one-time sources. RIPEC calculations.

¹⁹⁹ This analysis leaves aside the \$9.0 million for acquisition, infrastructure, and pre-development. It is not immediately clear how these funds will relate to the production of net new units of affordable housing.

produce 586 units: 459 net new rental units and 127 net new units for homeownership, as depicted in Figure 17.²⁰⁰

Figure 17
Proposed 2024 Housing Bond Unit Projections

	Homeownership	Rental Units
Proposed Bond Funding	\$ 20,000,000	\$ 80,000,000.0
State Investment Per Unit	\$ 162,815	\$ 174,254
Units Produced	127	459
Total Units	586	

Source: RIHousing; R.I. Department of Housing; RIPEC calculations

These 586 projected units, in conjunction with the 1,584 affordable and middle-income units produced by the SFRF production programs will only marginally increase the state’s total affordable housing stock and will have only a small impact on the state’s significant gap in affordable housing.²⁰¹ The 2,170 units either produced, or projected to be produced, through the proposed bond referendum and the SFRF production programs together represents a 5.7 percent increase to the state’s total affordable housing units (37,822 units as of 2022).²⁰² Rhode Island is estimated to need 26,351 units affordable to households at or below 50.0 percent AMI, according to the National Low-Income Housing’s Gap Report.²⁰³ The 2,170 net new units of projected affordable housing—including the units restricted between 30.0 and 120.0 percent AMI—would address 8.2 percent of this need, leaving a gap of 24,181 affordable units.²⁰⁴

²⁰⁰ This analysis assumes that the entirety of the \$80.0 million will be used for the production of new affordable rental units. It includes the undefined \$10.0 million for a new public housing program. Prior bond and SFRF investments included substantial investments for the rehabilitation and preservation of existing affordable housing units, and if this pattern holds, the number of net new units is likely to be lower than RIPEC has projected. This analysis also assumes that no bond funds will be dedicated to preliminarily financed SFRF developments experiencing cost overruns. Previous analysis by RIPEC showed that SFRF funded developments required an additional \$45.7 million in gap subsidies. If such investments prove necessary with the remaining developments moving to firm financing, there will be fewer net new units produced than RIPEC’s analysis indicates. However, the \$30.0 million in state LIHTC that will be available in 2025 could potentially offset these decreases or add to production. It should be noted that the state LIHTC must be paired with the federal LIHTC. Federal LIHTCs offer homeownership options only after the 15-year tax credit compliance period, so the homeownership portion of the bond would not apply. IRS, [Low-Income Housing Commitment Amended to Allow Option to Buy](#), October 17, 2006. For more information see, RIPEC, [The Governor’s FY 2025 Budget Proposal: A Transitional Budget as the State Faces More Constrained Revenues](#), May 2024.

²⁰¹ The 1,584 units of affordable housing number represented here includes the 1,515 affordable and middle-income units produced through new construction including an additional 69 net new units produced in two developments containing substantial rehabilitations—which were not included in RIPEC’s analysis in Section V. RIPEC calculations.

²⁰² RIHousing, [Low- and Moderate-Income Housing by Community: 2022](#), accessed September 4, 2024.

²⁰³ As stated earlier in the report, the 2,202 are those unit produced under 120.0 percent AMI, so the gap is wider than illustrated here. National Low Income Housing Coalition, [The Gap: Rhode Island](#), accessed September 4, 2024.

²⁰⁴ It is unclear how many of the affordable housing units produced by the proposed bond would be for those households earning less than 50.0 percent AMI. The SFRF production programs produced 1,160 units affordable to households earning less than 60.0 percent AMI. This represents 4.4 percent of the need, leaving the state 25,191 affordable units short. RIPEC calculations. The SFRF production programs created 504 units affordable to those below 50.0 percent AMI, representing 1.9 percent of the total need and a gap of 25,846. RIPEC calculations.

VII. RIPEC Comments

Housing affordability is one of Rhode Island’s most pressing public policy challenges. With nearly one-third of all Rhode Islanders cost-burdened, estimates suggest the state needs over 24,000 additional affordable units to close the affordability gap. Home prices have jumped sharply over the last five years, making homeownership unattainable for an increasing number of Rhode Islanders. Rental vacancy rates are historically very low, with Providence experiencing the highest rate of rental increase in the nation. Some housing data is more mixed—suggesting that housing affordability has not grown markedly worse for many Rhode Islanders, and that neighboring states face greater affordability challenges—but the issue of housing affordability in Rhode Island nevertheless is significant and needs to be addressed.

Despite the need for more housing, Rhode Island has lagged the nation in terms of housing production. In 2021—the most recent year for which data are available—Rhode Island ranked last in the nation for housing production. Over the last ten years, Rhode Island had the lowest rate of total housing permits issued per 1,000 residents in the country. Additional factors like out-of-state homebuyers, an aging housing stock, and the increasing prevalence of short-term rentals have placed additional pressure on Rhode Island’s increasingly tight housing market.

Until relatively recently, the state’s housing policy has primarily consisted of administering federal programs, specifically the federal LIHTC, public housing, and Section 8 housing choice voucher (HCV) programs. State investments in affordable housing production have been limited. Rhode Island’s primary affordable housing production program—BHRI—has been exclusively funded through general obligation bonds, issued separately in 2006, 2011, 2016, and 2021, and totaling \$190.0 million, an average of roughly \$9.5 million per year. This investment, along with other limited state funding, left Rhode Island second last among New England states for state investments in housing per capita in 2022. In Rhode Island, federal funding for affordable housing dwarfs the state investment; absent pandemic-era funds, federal spending on affordable housing totaled \$387.1 million in 2023, while the state investment was \$10.2 million.

Recognizing the need for more affordable housing, the General Assembly made several noteworthy policy changes in the last five years. The Assembly created the Housing Production Fund, established a new Department of Housing, funded a state LIHTC program (\$30.0 million annually), and in FY 2025 authorized the largest housing bond in state history (\$120.0 million).

Also, during this time, the General Assembly demonstrated its commitment to affordable housing with a historic \$332.2 million investment from federal one-time SFRF dollars—an amount far greater than the \$215.0 million invested in housing by the state over the prior fifteen years (2006-2021). While a substantial portion of SFRF funding for housing was dedicated to homelessness services, downpayment assistance, planning, and infrastructure, the vast majority (\$206.0 million or 62.0 percent) was committed to eight different programs focused on the production and preservation of affordable and middle-income housing units. Given the combination of strict federal timelines and the lack of alternatives among existing housing programs, the state relied on its past experience administering federal housing productions programs—specifically utilization of the federal LIHTC

and the capital stack model of financing. While SFRF dollars were allocated over eight different housing production programs, by design funding for these programs were utilized in combination with each other, and also were blended with bond financing, federal LIHTC, and other sources of funding. In total, the state invested \$244.7 million in funds to support the new construction of 1,515 units.²⁰⁵

The design of SFRF-funded production programs—DAH-2, CRP, and the PPF—were closely aligned with funding priorities used in administering the federal LIHTC programs, as set forth in the state’s Qualified Allocation Plan (QAP). Consistent with the QAP, SFRF production programs generally favored very low-income households, gave preference to developments that incorporated social and other goals supplemental to the provision of housing, generally did not provide incentives for mixed-income developments, and de-emphasized the cost of production relative to other factors.

Given this program design, SFRF-funded developments generally provided housing affordable to lower-income households. Of the 1,515 affordable units developed, more than 70 percent were restricted to households earning less than 60.0 percent AMI and more than half included no mixed-income units. Of the 15 developments that included mixed income units, more than two-thirds offered less than 25.0 percent of units to those with incomes that could support middle-income or market-rate rents. Program preference for social and other goals supplemental to the provision of housing was also evident in RIPEC’s analysis of SFRF projects; 25 of 32 developments (78.1 percent) included at least one such supplemental objective, such as restoring historic buildings, producing commercial or community spaces, or providing environmental remediation. Finally, the low priority attached to financial considerations is evidenced by the high cost per unit of many of the SFRF developments. Over half of the projects (16 total, 53.3 percent) carried total development costs of more than \$400,000 per unit.

Analysis of the weighted AMI score against the total state subsidy per affordable unit for each SFRF-funded development illustrates the inverse relationship between the state subsidy and average weighted AMI—with the level of state subsidy declining as the average weighted AMI served increases—but also highlights distinct outliers that merit attention. RIPEC’s analysis highlights two developments that stand out for their high levels of state subsidy: Parcel 9 II and 23 Central Street. Parcel 9 II received \$16.4 million in state subsidies (\$456,540 per affordable unit)—along with a 9.0 percent credit allocation, additional federal subsidies, and rental operating subsidies and vouchers—with the state covering more than half of total project costs. 23 Central Street produced 9 affordable units from \$4.6 million in state subsidy, with the state subsidizing 95.1 percent of development costs. RIPEC’s analysis also spotlights two developments that required significantly lower levels of state subsidy per affordable unit. West House II took advantage of existing land, parking, and amenities to build 54 affordable units for \$2.5 million in state subsidy. GoodHomes Warwick remodeled the former Sheraton Hotel in Warwick to produce 27 affordable units and an additional 211 market-rate units for \$2.3 million in state subsidy.

²⁰⁵ This amount includes new construction of affordable and middle-income units only. Two developments that had substantial rehabilitations associated with the development along with new construction produced an additional 69 net new units raising this total to 1,584. The total dollar amount dedicated to new construction, rehabilitation, and one-for-one replacements was \$273.2 million. RIHousing, [SFRF Program Dashboard](#), accessed October 1, 2024. RIPEC calculations.

The proposed \$120.0 million bond for housing represents a significant and needed state investment in affordable housing. However, absent policy changes, the bond is not likely to produce a substantial number of affordable units. RIPEC's analysis projects that the proposed bond will increase the state's affordable housing supply by 586 units (459 rental and 127 homeownership units). When this projected total is added to the production from the SFRF investment, the state will have produced an estimated 2,170 affordable units, representing a 5.7 percent increase in the state's affordable housing stock (37,822). This production also represents 8.2 percent of the estimated 26,351 affordable units needed to be produced to eliminate Rhode Island's affordable housing gap.

Based on this analysis, RIPEC makes the following recommendations for consideration:

The state should expand its range of investments to include more middle-income and market-rate housing. Incentivizing developments to serve the lowest income groups, while understandable given the needs of this population, results in significant financial trade-offs. The development of affordable housing for those on the lower end of the income scale necessarily results in either fewer units or greater subsidy levels. The General Assembly and RIHousing should broaden allowable uses of funds to include incentivizing more middle income and market-rate housing to increase the overall supply, ease demand, and lower rents and home prices statewide.

Rhode Island needs greater state investment in housing through a dedicated revenue source. The General Assembly made a historic investment in housing by using one-time federal SFRF dollars, creating the state LIHTC program, enhancing the conveyance tax on real estate transactions, and authorizing the largest ever housing bond in FY 2025. However, these initiatives do not go far enough considering the magnitude of the state's housing affordability challenges. With SFRF aid expiring, Rhode Island is at risk of returning to its previous pattern of low state investment. The state should explore alternative mechanisms to increase its investment in housing through a dedicated revenue source. Building on the existing conveyance tax on real estate transactions presents one possible avenue.

The state should explore mechanisms to improve the return on investment of state housing dollars. The state will produce roughly 1,600 net new affordable and middle-income units from an investment of approximately \$273 million, with an average state subsidy north of \$160,000 per unit for new construction.²⁰⁶ If the state is going to increase the supply of affordable housing, it must improve on this return. The state should establish strict cost standards for projects seeking state investment. For example, the state could consider the median selling price of a condominium unit (\$357,000) when establishing such limits. The state should additionally resist favoring social or other goals supplemental to the provision of housing, which complicates developments and often drives up costs. Considering the number of cost-burdened households in Rhode Island, and the scarcity of available funding, state housing policy should prioritize investments to those developments that produce the greatest number of affordable units at the lowest price.

²⁰⁶ This dollar figure includes rehabilitations, one-for-one replacements, and developments that included both new construction and rehabilitation. The unit count represented here includes developments that had net new units produced with additional units receiving substantial rehabilitation. The state investment for developments including new construction of affordable units alone was \$236.5 million.

The state should seek to reduce the complexity of its housing programs. The capital stack model of development, centered on the LIHTC program, is inherently complex and inefficient. Relying on this existing program to administer the SFRF housing production funds was a justifiable decision considering the strict federal expenditure timelines and the lack of alternative programs. However, the allocation of funding to a multiplicity of similar production programs that are often combined to fund a single development, creates unnecessary bureaucratic hurdles, adds to the cost of production, and renders program accountability nearly impossible. The General Assembly should streamline and consolidate programming to avoid adding complexity to an already complicated model of production.

The state should develop innovative programs to tackle its housing shortage. Continuing to rely on the capital stack model of development centered on the federal LIHTC program exclusively to deploy state investments is a questionable strategy considering the level of production resulting from the generous investments over the past few years. Rhode Island should develop new approaches to producing affordable housing. In this regard, the state should seek to replicate the more successful SFRF developments that were able to produce affordable units using relatively low state subsidies. Rhode Island should also look to other states that have developed alternative housing development programs.²⁰⁷

²⁰⁷ For example, Maryland has a nationally recognized public developer model, for more information see, Paul Williams, "[The Basic Logistics of Public Development](#)," *Center for Public Enterprise*, May 31, 2023. The San Diego Housing Authority uses a recycled bond method to produce more affordable housing, for more information see San Diego Housing Commission, "[SDHC Fiscal Year 2023 Annual Report](#)." Minnesota has made efforts to make its single-family home construction faster and smaller by using different building materials and designs, for more information see Sam LaTronica, "[Smaller, Faster, and Creative: Innovations in Affordable Single-Family Home Construction](#)," *Harvard's Joint Center for Housing Studies*, November 2016.



RIPEC

About the Rhode Island Public Expenditure Council

The Rhode Island Public Expenditure Council (RIPEC) is a nonpartisan and nonprofit public policy research organization dedicated to advancing fiscally responsible government, competitive tax policies, and economic opportunities for all in Rhode Island.

www.RIPEC.org

