

Governor's FY 2024 Budget: Requested Budget Amendments

Staff Presentation to the House Finance
Committee
May 17, 2023

Introduction

- Governor has requested 15 amendments
 - All posted on Assembly and OMB websites
- 2 related to housing requested on May 5
 - Allocate remaining American Rescue Plan Act – State Fiscal Recovery funds
 - Add new Housing Article
 - Create State Low-Income Housing Tax Credit
 - Administration of Department of Housing

Summary

Topic	Article #	GBA #	Date Req.
ARPA – Targeted Development	1	12	5/5
ARPA – Housing Infrastructure	1	12	5/5
ARPA – Municipal Planning	1	12	5/5
ARPA – Preserve Affordability	1	12	5/5
ARPA – Home Repair & Revital.	1	12	5/5
ARPA – Proactive Development	1/new	12/13	5/5
Municipal Homelessness	1/new	12/13	5/5
Duties of Dept. Housing	1/new	12/13	5/5
Low Income Housing Tax Credit	new	13	5/5

ARPA – Housing: Governor Jan.

	Program	FY 2022	FY 2023R	FY 2024	Total
Build	Dev. of Afford. Housing	\$14.7	\$30.3	\$55.0	\$100.0
	Site Acquisition	6.0	9.0	10.0	25.0
	Workforce Housing	-	12.0	8.0	20.0
	Affordable Housing Predev.	-	2.5	7.5	10.0
	Home Repair & Revitalize.	-	15.0	10.0	25.0
Aid	Homeless Assist. Program	-	8.5	13.0	21.5
	Homelessness Infrastructure	-	15.0	30.0	45.0
	Down Payment Assist.	-	10.0	20.0	30.0
Plan	Predev. & Capacity	0.1	0.9	0.5	1.5
	State Housing Plan	-	2.0	-	2.0
	Total	\$20.8	\$105.2	\$154.0	\$280.0

\$ in millions

RI Foundation Housing & Homelessness Report

- RI Foundation's April 24 report to guide state housing & homelessness policy
 - Partnered with Boston Consulting Group, Blue Cross, LISC, United Way, & Partnership for RI with Department's collaboration
- Data analysis & policy options
 - Best practices from other states
 - Potential restructuring
- Inspiration for current amendments

ARPA – Housing: Governor

- RI Housing - \$210.0 million
 - \$205.0 million approved to date
 - Pandemic Recovery Office
 - \$120.4 million in awards committed
 - \$16.6 million spent as of May
- Department of Housing - \$40.0 million
 - \$24.9 million approved to date
 - \$5.4 million spent as of May
 - Governor's January budget submission adds \$30.0 million

ARPA – Housing: GBA/New

	Program	FY 2024	Entity
Build	ARPA – Targeted Development	\$21.0	Dept. of Housing
	ARPA – Housing Infrastructure	4.3	
Aid	ARPA – Home Repair & Revitalization (revised)	(0.5)	
	ARPA – Preserve Affordability	0.5	
Plan	ARPA – Municipal Planning	2.3	
	ARPA – Proactive Development	1.4	RIH
	Total	\$29.0	

\$ in millions

ARPA – Targeted Housing Development

- Targeted housing development fund
 - Priority projects/areas such as
 - Permanent supportive housing
 - Vulnerable populations
 - Others – defined by Secretary
 - Set aside for transit-oriented development

GBA	Amount
Priority Project Funding	\$17.0
Transit-Oriented Housing	4.0
Total	\$21.0

\$ in millions

ARPA – Housing Related Infrastructure

- \$4.3 million to support physical infrastructure changes required for housing developments
- Gives Secretary discretion to reallocate funds to any other Housing purpose
 - If uncommitted by June 30, 2024 or will not be completed by December 31, 2026
 - Competing language in GBA #11
 - PRO assesses risk of not meeting requirements

ARPA – Housing Related Infrastructure

- Suggests as Infrastructure Bank program
 - Or “another entity” as determined by Secretary
 - May be reserved for municipalities
- Not limited to affordable housing
 - Permits use for mixed-income & mixed-use developments
- Types of support to be determined

ARPA – Municipal Planning

- Technical support for municipalities
 - Fellowship program
- Support for a transit-oriented pilot program
 - Form not specified in amendment
- Aid municipalities with zoning changes
- Study and address income barriers to housing

GBA	Amount
Municipal Fellows	\$1.2
Transit & Zoning Support	0.9
Research & Programming	0.2
Total	\$2.3

\$ in millions

ARPA – Preservation of Affordable Units

- Preserve affordability of existing units
 - Renovate units that may become unlivable
 - Preserve units that are subject to foreclosure
- \$0.5 million for FY 2024
 - Estimated to benefit a limited number of units
- Language proposed is broad

ARPA – Home Repair & Community Revitalization

- Enacted budget contains \$25.0 million for redeveloping blighted properties and critical home repairs
 - Based on 2016 G.O. Bond program
 - Administered by RI Housing
 - Residential, commercial & community space
 - In predominantly low income areas
 - Developers, localities & housing authorities
- Unspecified portion for homeowner upgrades

ARPA – Home Repair & Community Revitalization

- Amendment includes \$24.5 million
 - \$0.5 million less than enacted/recommended
 - Repurposed to “preservation” item
- New language
 - Specifies \$4.5 million of remaining total will be used for critical home repairs
 - Limited to predominantly low income areas

ARPA – Proactive Housing Development

- Initial funds to create & staff a proactive housing development agency
 - Quasi-public subsidiary of RI Housing
- \$1.4 million for FY 2024
 - Represents initial operating commitment
- Includes proposed language
 - Extend tort protections & tax-exempt status

ARPA – Proactive Housing Development

- RI Foundation report identified need for a proactive state entity
 - Coordinating entity to assemble project financing & land purchases
 - Similar to MassDevelopment in Massachusetts
 - Legal & regulatory guide for developers
 - Potential to act as public developer
- Current proposal may be adapted to fulfill this role

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\$ in millions

ARPA – Housing: GBA/New

- GBA proposes making all new and existing housing ARPA funds subject to approval of Housing Secretary
 - Including current RIH projects
 - *“With respect to all housing state fiscal recovery fund programs listed above, all solicitations, program guidelines, and awards shall require concurrence from the Secretary of Housing”*

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Low Income Housing Tax Credit	new	13	5/5

Municipal Homelessness Support

- Article creates new statutory program to support municipalities that provide services to those experiencing homelessness
 - Such as trash collection & day programs
 - Grants or “other uses”
 - Department empowered to set all criteria
 - Annual report required by September 1
- \$1.0 million from general revenues
 - Assumed to be ongoing commitment

Duties of Department of Housing

- Establishes Department as lead agency for housing and homelessness
 - Mostly codifies existing responsibilities
- Notable new authorities
 - Deal in real estate
 - Exercise eminent domain
- Does not include any restructuring

Housing Policy Governance

– Reorganization Plan

- 2022 Assembly required Sec. of Housing submit state housing reorganization plan by Nov. 1, 2022
 - Submitted Nov. 18 with some omissions
 - Department authority over Housing Resources Commission & federal monies
- Transfer programs from other agencies
- Sec. becomes chair of RI Housing Board
 - Included on other state policy councils

Housing Policy Governance

– Reports & Commissions

- 2021 Assembly required an Integrated Housing Report due annually Dec. 31
 - Significant data requirements
 - Number, occupancy, type of housing unit
 - Municipal, income level, and national breakdown
 - Recommendations to meet 10% affordability goal
- Created two House special commissions
 - Low & Moderate Income Housing
 - Land Use

Federal Low Income Housing Tax Credit

- Administered by RI Housing and awarded alongside other incentives
 - 10-year term
- Multiple eligibility criteria options
 - 20% units \leq 50% AMI
 - 40% units \leq 60% AMI
 - 40% units avg. 60% AMI; none $>$ 80% AMI
- Loans against credits provide equity
 - Present credit value varies with interest rates

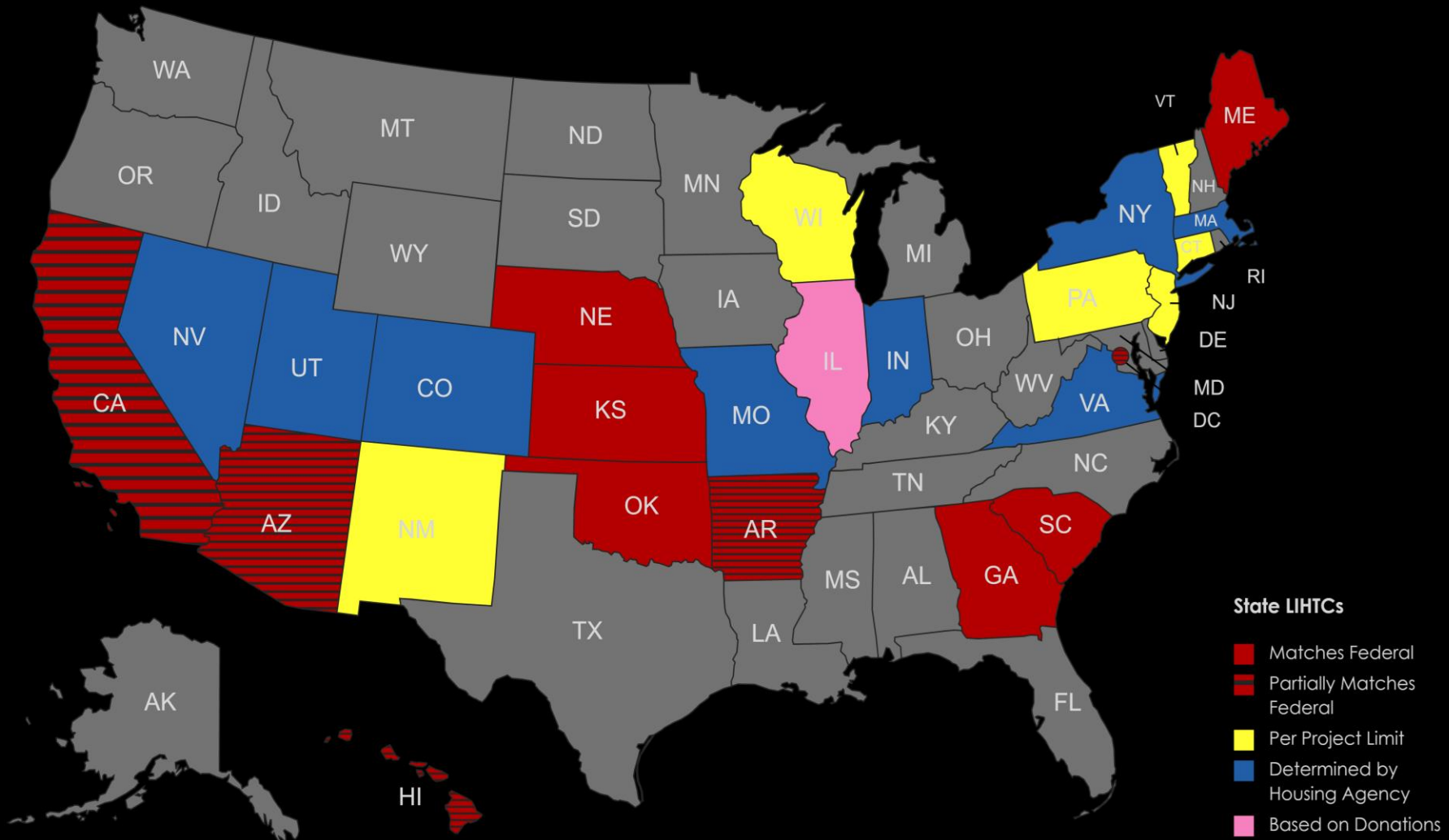
Federal Low Income Housing Tax Credit

- 9% credits (~70% total project equity)
 - New buildings & substantial rehabilitation
 - Cannot combine with other federal subsidies
 - Limited – RI allotted \$3.0 million for CY 2022
 - Highly competitive
- 4% credits (~30% total project equity)
 - New buildings, rehabilitation, & acquisition
 - By-right if using state private activity bonds
 - Underutilized in RI, routinely expire unused

State Low Income Housing Tax Credits

- 25 states & D.C. award state tax credits to projects receiving federal LIHTC
 - All of the Northeast except NH & RI
- Variety of formats
 - Most have an annual cap on credits
 - Some automatically match federal funds
 - Match varies from 13% to 100%
 - Some have per project limits
 - MA & others let housing agency decide

State Low Income Housing Tax Credits - Valuation



New - RI Low Income Housing Tax Credit

- Governor proposes establishing a program in Rhode Island
 - Department of Housing would make awards
 - Projects must receive federal credit to be eligible
 - RI Housing still administers federal credits
 - Unclear how decisions would be coordinated
 - Award value not limited except annual cap
 - Variable as determined by Department of Housing
 - Criteria based on financing need

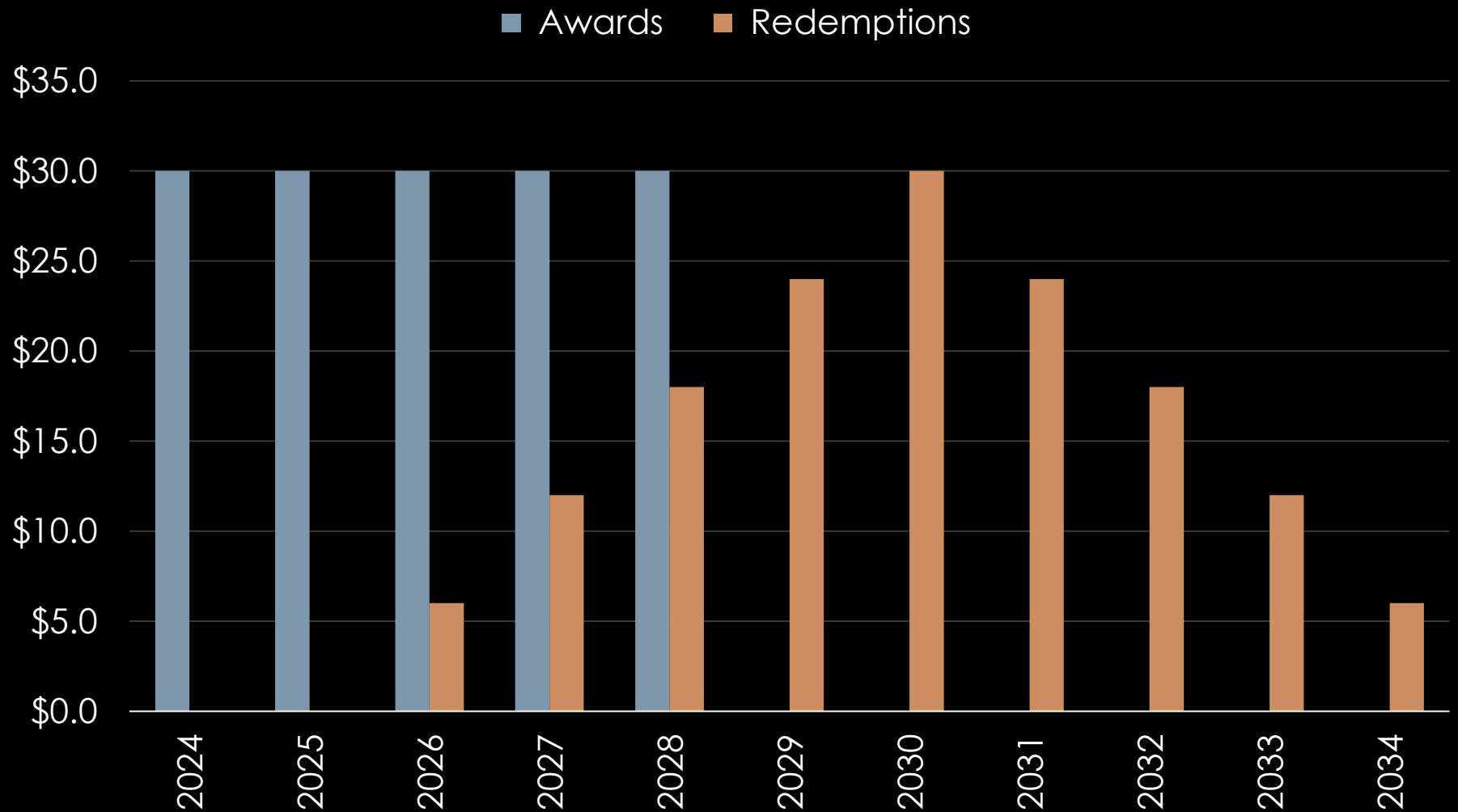
New - RI Low Income Housing Tax Credit

- Article proposes allowing up to \$30.0 million in credits per year
 - Higher per capita than any other state
- 5-year award term
 - Federal LIHTC has 10-year term
 - State term length varies
 - Subject to 30-year deed restriction
 - Annual report required by November 1
- Sunset on June 30, 2028

New - RI Low Income Housing Tax Credit

- LIHTC restricted fund
 - Similar to forward funding of Rebuild credits
 - Resides within Department of Housing
 - Early redemption if resources are available
- No language regarding redemption timeline
 - For comparison Rebuild allows max of 30% annually
 - Too many early redemptions may force Assembly to make appropriations

New - RI Low Income Housing Tax Credit – Fiscal Impact



\$ in millions; assumes projects complete in two years & redeem evenly over 5-year term

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