



April 6, 2022

The Honorable Ryan Pearson  
Chair, Senate Committee on Finance  
Rhode Island State House  
Providence, RI 02903

**Re: Support for H7123 - ARPA Proposals for Housing in Article 1, Sections 1 and 16**

Dear Chair Pearson and Members of the Senate Committee on Finance:

The Housing Network of Rhode Island (HNRI) is writing today **in strong support of the proposed ARPA State Fiscal Recovery Fund housing investments in H7123 – Budget Article 1, Sections 1 and 16**. Combined with the \$29 million “down payment” of funds from the FY22 Supplemental Budget, this proposal represents an investment of \$250 million for housing and homeless assistance, a strong foundation from which to build further impact. We are encouraged by the Governor’s budget proposal as it represents an important and necessary step in meeting the urgent housing needs of constituents and generating economic activity that will be impactful to local communities and across the state and region.

With that said, considering the weight of decades of underinvestment by the State and restrictive regulations by local municipalities which have contributed to a significant decrease in residential development activity over the last 30 years, HNRI respectfully asks the General Assembly to increase the ARPA funding being allocated to housing and consider an investment of \$500 million to build and preserve more affordable homes and increase housing stability.

The Housing Network of Rhode Island is the State’s membership association of 17 nonprofit community development agencies across Rhode Island. From Washington County to Woonsocket, our members have created and maintain safe, healthy, and long-term affordable homes for more than 15,000 low- and moderate-income Rhode Island households. The membership of HNRI is responsible for nearly 80% of the production and preservation of affordable homes made possible by funding from the 2006, 2012, 2016 and 2021 affordable housing bonds. HNRI also serves as the backbone organization for Homes RI, a collective impact effort focused on increasing the supply of safe, healthy, and affordable homes. Through a collaborative process involving housing practitioners, health equity experts, philanthropic organizations, and community members living and working in Rhode Island, Homes RI crafted a set of recommendations for spending \$500 million in American Rescue Plan State Fiscal Recovery Funds (attached).

As we know, the COVID-19 pandemic has exacerbated a pre-existing imbalance in residential housing supply and equitable access to it. There are myriad data, statistics, and anecdotes demonstrating rising housing insecurity and unaffordability in Rhode Island, especially for low-income families and people of color, coupled with inadequate supply and historically low vacancy. The lack of available and habitable affordable homes, coupled with increasing land costs, labor shortages, and shifting prices and supply chain issues of construction materials, are challenges that are impacting the housing development sector.

In February and March 2022, HNRI surveyed our membership of nonprofit housing developers to forecast the number of long-term affordable homes they can produce and preserve within the next three years, in order more accurately gauge the need for and impact of a \$500 million investment of ARPA. Based on responses from nine members, we project the creation of 1,933 homes in 18 cities and towns across the state by 2025, consisting of 1,836 rental homes that would be newly constructed or preserved, and 97 single-family homes. Ninety-six percent (96%) of these homes would be created for low-income individuals and families with incomes at or below 80% of Area Median Income (as a benchmark, \$63,350 is the income limit for a household of three). Of these, more than half (52%) would be reserved for individuals and families with very low or extremely low incomes. The projected total development costs for the creation of these homes are \$484,470,778. We have enclosed an infographic with our testimony which breaks down these data points and includes further descriptors for AMI and type of construction / cost. Importantly, this information represents just over half our members, and does not encompass the universe of affordable housing developers, including for-profits, who may access development funding when allocated and disbursed and provides a snapshot of what could be possible with proper state investment.

We appreciate the efforts of State leaders to prioritize housing and thank those on the Committee and in the General Assembly for your leadership. On behalf of HNRI and the low income households we serve, I urge the Committee to fully support the Governor's proposal for critical housing investments in Article 1, and considering the scale of need, go further and increase the allocation of SFR funds for this activity to \$500 million to promote housing stability for Rhode Islanders. Further, I encourage the Committee and colleagues in the General Assembly to consider ongoing state investments and policy changes that are necessary to secure a future where all Rhode Islanders have access to safe, healthy, and affordable homes in the community of their choice. I will be happy to respond to any questions from Committee members and can be reached at the contact information below.

Sincerely,



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Executive Director  
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Encl: Three-Year Forecast for Affordable Home Development  
Housing Stability for Rhode Islanders: Recommendations to Spend American Rescue Plan State  
Fiscal Recovery Funds

# THREE-YEAR FORECAST

## FOR AFFORDABLE HOME DEVELOPMENT

MARCH 2022

HOUSING



NETWORK

**1,933 TOTAL HOMES**

**1,098 NEW**

**835 PRESERVED**



**\$484,470,778**

**TOTAL DEVELOPMENT COSTS**

The nonprofit housing development sector has the capacity to produce and preserve over 1,900 homes within the next three years if the necessary resources are allocated.

\*Based on a survey of our 17 nonprofit community development members

The Housing Network of Rhode Island supports Homes RI's request of \$500 million in American Rescue Plan funds to increase housing stability and to produce, protect, and preserve affordable homes statewide.

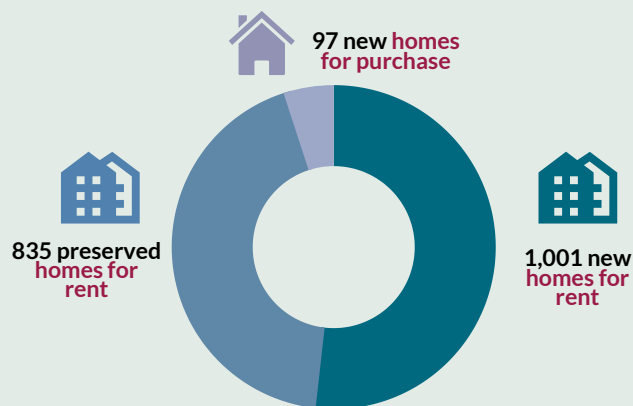
*HNRI is the state's association of nonprofit and community development corporations who have built thousands of affordable homes and contributed to the economic vitality of communities across Rhode Island.*

*Learn more at [www.housingnetworkri.org](http://www.housingnetworkri.org)*



Construction on Manton Ave. Live/Work Townhomes  
4 townhomes with 8 total apartments + retail space  
(4 owner-occupied and 4 for-rent)  
ONE Neighborhood Builders  
Project completed April 2021

### New & Preserved Homes by Type



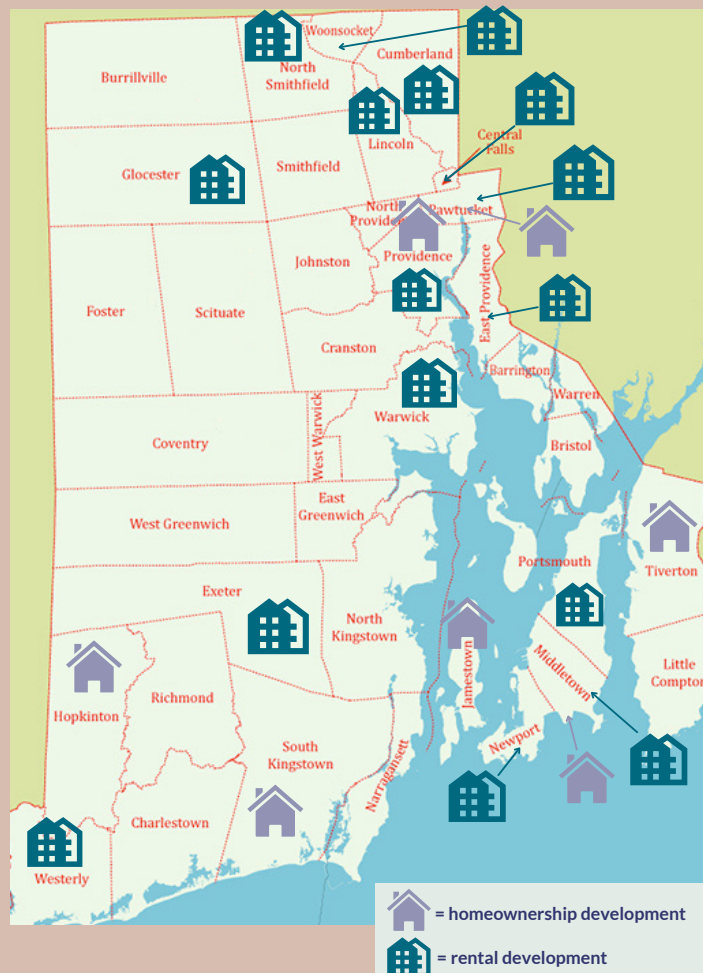
### Key Definitions:

**Total Development Cost:** total of all costs to acquire, construct and/or rehabilitate, and finance the development project.

**Preserved Home:** a property that is renovated and the affordability period is extended to safeguard the existing long-term affordable home.

**New Home:** a newly constructed home, or the adaptive reuse of existing property into residential homes.

### New & Preserved Homes in 18 Cities & Towns



# THREE-YEAR FORECAST FOR AFFORDABLE HOME DEVELOPMENT

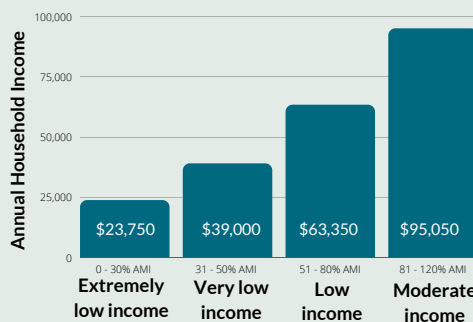
## HOUSEHOLDS SERVED BY INCOME LEVEL



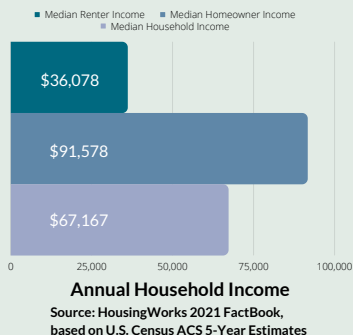
### AMI = Area Median Income

Area Median Income is a regionally-based measure of household income used by the U.S. Department of Housing and Urban Development to determine eligibility for different housing programs. It is the midpoint of the income distribution in the designated region.

### Rhode Island FY21 Statewide Income Limits for Households of 3

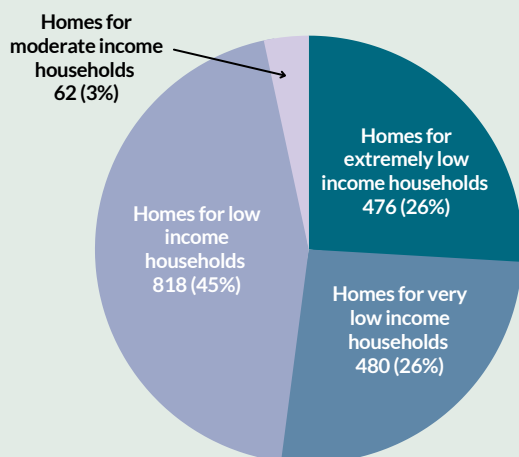


### Renter & Homeowner Median Incomes in RI, 2021



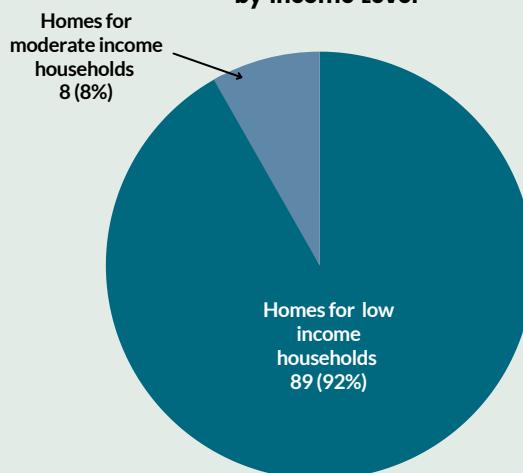
## Homes for Rent = 1,836

### Distribution of Forecast Rental Development by Income Level



## Homes for Purchase = 97

### Distribution of Forecast Homeownership Development by Income Level



Gardner Road House, Exeter, RI  
Single-family 3 bedroom home  
South County Habitat for Humanity  
Completed February 2022



## Housing Network Members

- Church Community Housing Corporation
- Crossroads Rhode Island
- East Bay CDC
- South County Habitat for Humanity
- Habitat for Humanity of Greater Providence
- House of Hope CDC
- NeighborWorks Blackstone River Valley
- ONE Neighborhood Builders
- OMNI Development Corporation
- Pawtucket Central Falls Development
- Pawtucket Housing Authority
- Providence Revolving Fund
- Smith Hill CDC
- SWAP, Inc.
- Washington County CDC
- West Elmwood Housing Development Corporation
- Women's Development Corporation





The *American Rescue Plan Act* provides an extraordinary opportunity for federal investment to respond to the coronavirus public health emergency and help redress its devastating economic effects.

The following recommendations from Rhode Island’s housing advocacy community are intended to address the State’s urgent housing needs. They are intended to augment and leverage existing funds and programs—and are not intended to replace any existing federal, state, or local housing finance programs.

These recommendations build upon the work of Homes RI, a coalition of organizations working together to increase and preserve the supply of safe, healthy, and affordable homes throughout Rhode Island.

In August, as Homes RI sought to refine its top priorities for ARPA funds, it circulated a survey to ascertain which items would have the most impact. More than 50 coalition members responded, reflecting a broad cross-section of organizations and interests, including developers, health care organizations, service providers, legal services, advocates, residents, and philanthropic organizations.

Using these survey results, Homes RI partners Crossroads Rhode Island, Housing Network of Rhode Island, HousingWorks RI, and ONE Neighborhood Builders further developed a targeted, defined set of recommendations.

These recommendations seek to advance the housing community’s goals to 1) Increase the supply of affordable homes through housing production, protection, and preservation; 2) Remove barriers to accessing housing and to promoting housing stability; and 3) Support municipalities and the State to provide safe and healthy homes.

We respectfully request that **\$500 million of Rhode Island’s ARPA funds** be allocated to affordable housing.



## HOUSING: \$500 Million

### 1. Produce, Protect, and Preserve Affordable Homes Statewide

#### ➤ **ASK: \$350 Million**

#### ➤ **RESULTS by 2030:**

- Produce at least 1,800 new deed-restricted homes for low-income households
- Protect at least 200 units of naturally occurring affordable housing through property owners applying for deed restrictions.
- Preserve at least 500 existing deed-restricted homes, whose restrictions are set to expire.
- Decrease homeownership rate disparity between BIPoC and white communities.

*\*\*\*These goals are for ARPA-financed development and are above and beyond goals that use other sources of housing development capital.*

#### ➤ **MECHANISMS:**

- \$275 million for production and preservation. New program rules would allow ARPA funding to be “first and only” financing in a development project.
- \$70 million invested into a housing accelerator fund to be used to acquire property quickly for development as affordable housing.
- \$5 million for down-payment assistance.

#### ➤ **POLICY**

- Create mechanism for a “one-stop” application process for affordable housing financing.
- Introduce legislation that requires all multi-family developments (5+ units) to be registered with their respective municipalities.
- Introduce legislation that requires nonprofit housing developers to have the right of first refusal to purchase multi-family dwellings (5+ units) and all state-owned property.



## 2. Housing Access & Stability Statewide

### ➤ ASK: \$60 Million

### ➤ RESULTS by 2030:

- Achieve “functional zero” for homelessness in Rhode Island, whereby homelessness is rare, brief, and non-recurring.
- Decrease housing cost burden for the bottom two renter household quintiles.

### ➤ MECHANISMS:

- \$45 million for rental assistance. Programs may include:
  - Expand Landlord Partnership Programs to encourage landlords to participate in the Housing Choice Voucher program.
  - Increase rental subsidy value of Housing Choice Vouchers to help voucher holders secure apartments in areas where rents are more expensive.
  - Replenish the Neighborhood Opportunities Program (NOP) fund. NOP is an operating-loss escrow for landlords that lease to households with an income of less than 40% AMI.
- \$5 million for services delivered via permanent supportive housing. Funding will be used to bridge Continuum of Care social service contracts and supplement Medicaid Housing Stabilization funding.
- \$9 million for a permanent court-based eviction-diversion program that would assist tenants facing potential eviction for reasons beyond missed rent payments. This will remain a need beyond the current RentReliefRI program and will offer help for a broader list of reasons.
- \$1 million for the rapid diversion from homelessness for those who are low-acuity and whose diversion intervention averages \$1,500 per household.

### ➤ POLICY:

- Work to implement a shift in state policy from managing a shelter-based system for the homeless to a housing-based system that seeks permanent solutions for households experiencing homelessness.





### 3. Support to Municipalities and State to Create and Preserve Safe and Healthy Homes

#### ➤ **ASK: \$90 Million**

#### ➤ **RESULTS by 2030:**

- Update individual zoning and planning regulations in communities that would shorten the process to develop more housing.
- Develop and implement more robust local housing plans with specific goals for how much more housing would be created and/or preserved to meet the needs within individual communities.

#### ➤ **MECHANISMS**

- \$25 million for expanded staff capacity at state and municipal agencies.
- \$25 million to capitalize a forgivable loan fund to remedy code violations and repair properties so they meet Housing Quality Standards and/or Universal Design standards to allow for aging in place. This fund would require owners to meet compliance requirements in order for the loan to be forgiven (i.e., maximum rent that may be charged, a minimum of a 6-month lease, etc.).
- \$40 million to support municipalities in their efforts to enact and enforce local ordinances related to building code violations and vacant dwellings.

#### ➤ **POLICY:**

- Introduce legislation that requires a Certificate of Habitability for rental housing to be issued at regular intervals.
- Update the Rhode Island Low and Moderate Income Housing Act to require municipalities to engage in a robust planning process to reach affordable housing goals, even when those communities are exempt from certain percentages.





## **GLOSSARY:**

**Affordable Housing Preservation:** This term refers to the process of recapitalizing a long-term affordable home in order to safeguard its affordability for a period of years (usually through a long-term deed restriction), make improvements and repairs to the property, and stabilize it financially, according to the U.S. Department of Housing and Urban Development.

**AMI:** Area Median Income, as determined by the U.S. Department of Housing and Urban Development and adjusted for family size. In most Rhode Island cities and towns, 80% AMI for a family of four is \$71,500 annually. [Current guidelines available online.](#)

**Low and Moderate Income Households:** The U.S. Department of Housing and Urban Development defines Extremely Low Income as a household with an income of less than 30% of AMI. Very Low Income is a household with an income between 31% and 50% of AMI. Low Income is a household with an income between 51% and 80% AMI. Moderate Income is a household with an income between 81% and 120% AMI.

**Deed-restricted affordable housing:** This term refers to residential real estate that is restricted to remain affordable for rent or purchase by low- and moderate-income residents. The term also refers to any limitation on the future use or transfer of that real estate, whether stated in the form of a charge, encumbrance, financing instrument, easement, covenant, or condition in any deed, agreement, or other instrument executed by or on behalf of the owner of the real estate.

**Housing Quality Standards:** Set forth by the U.S. Department of Housing and Urban Development for housing units that receive subsidy through the Housing Choice Voucher program. These standards establish the minimum criteria for the health and safety of residents. Housing advocacy groups in Rhode Island advocate that all housing should meet these minimum standards, not only those utilizing Housing Choice Vouchers.

**Naturally Occurring Affordable Housing (NOAH):** This term refers to residential properties that are not subsidized by any federal or state program and are not under any deed restrictions to remain affordable in the long-term but are "naturally affordable" due to rents or sales prices being lower when compared to the regional housing market. When such property is purchased by for-profit developers, there is risk that renovations and, ultimately, increased rent payments will force out the low-income families who were able to afford the below-market rents.