



April 2, 2025

The Honorable Stephen Casey
Chair, House Municipal Government & Housing Committee
Rhode Island State House Providence,
Rhode Island 02903

Re: Opposition to House bill 5697

Dear Chair Casey, First Vice Chair Fogarty, Second Vice Chair Speakman, and Distinguished Committee Members,

Rhode Island and Mortgage Finance Corporation ("RIHousing") respectfully opposes House bill 5697, *An Act Relating to Taxation – Levy and Assessment of Local Taxes*.

Under current law, all real estate must be assessed at its "full and fair cash value." See R.I. Gen. Laws § 44-5-12(a). Rhode Island courts have consistently held that in determining the "full and fair cash value" of a deed-restricted affordable multi-family housing property, the tax assessors must evaluate the effect of the deed restrictions on the value of the property. These deed restrictions typically limit the maximum rents that can be charged, resulting in net income that is appreciably lower than comparable, unrestricted properties.

Rhode Island General Laws section 44-5-13.11 currently provides that rent-restricted residential properties that have been issued an occupancy permit on or after January 1, 1995 be taxed at a rate not to exceed 8% of the property's previous year's gross scheduled rental income. This statute, often referred to as the "8% Law", was enacted by the General Assembly in response to several court cases holding that deed-restricted properties should not be taxed as if they were unrestricted market-rate housing, because the deed restrictions limit their ability to raise rents, therefore reducing the value of these properties. This statute introduced uniformity into the assessment of deed restricted properties statewide, and relieved assessors from the need to evaluate the specific provisions of each deed restriction to determine its impact on the value of the property.

House Bill 5697 would exempt from the law otherwise eligible properties in communities that have met their 10% affordable housing goal. The change would apply to all properties that have been issued occupancy permits after December 31st, 2024.

The 8% law provides important predictability for developers of affordable housing that must project their long-term operating expenses when seeking development financing. Without the 8% law, developments would need to have larger operating reserves to account for potential property tax changes, increasing the required public subsidy, and overall development costs. With limited resources available for affordable housing production, this would undoubtedly result in fewer affordable units financed at a time when the State needs to be increasing housing production. Even with larger operating reserves, affordable developments could also be at risk of financial insecurity if exempted communities significantly increased taxes over time on these projects. This legislation would also likely drive affordable housing development away from the communities with the best water, sewer and public transit infrastructure to support it- our urban core.

RIHousing understands that many municipalities are facing financial hardships and are looking for opportunities to increase revenues. However, we believe that this bill runs counter to the State's goal to increase affordable housing development and to focus growth in areas with the infrastructure to support it.

Sincerely,



Carol Ventura
Executive Director