

# ARPA Fiscal Recovery Funds – Governor’s “Down Payment” Proposal

Staff Presentation to the House Finance Committee  
October 28, 2021

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# Down Payment Proposal

- On October 7, Governor McKee requested approval for a plan for use of \$113 million ~ 10% of RI 's fiscal recovery fund allocation
  - Business and Tourism - \$45.0 million
  - Services to Children - \$38.5 million
  - **Housing and Broadband - \$29.5 million**
- Now contained in 2021-H 6494

# Down Payment Proposal

- The request contains 2 pages of draft legislation and a 10 page supporting memo further describing the programs
  - As with traditional budget requests discussions with the Budget Office and related agencies enhance understanding of intent and implementation plans for specific proposals

# Down Payment Proposal

- 11 distinct proposals within the 3 categories
  - Tonight's hearing covers the housing & broadband proposals

Item #	Name	Amount
1	Broadband Infrastructure	\$0.5
4	Affordable Housing Development	15.0
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	<b>Total</b>	<b>\$29.5</b>

\$ in millions

# COVID-19 Relief

- 6 federal acts enacted to address crisis
  - Coronavirus Preparedness & Response Supplemental Appropriations – March 6, 2020
  - Families First Coronavirus Response – March 18
  - CARES – March 27
  - Paycheck Protection Program & Health Care Enhancement – April 24
  - Consolidated Appropriations Act – Dec 27
  - American Rescue Plan Act – March 11, 2021

# COVID-19 Relief

- Federal acts include funding for
  - State and local budgets
    - Strings and limitations
  - Individuals
    - Direct stimulus payments
    - Optional tax changes
  - Businesses
    - Loans
    - Optional tax changes

# COVID-19 Relief

- American Rescue Plan Act of 2021
  - Signed March 11, 2021
    - Same day Governor submitted his budget
  - \$360 billion to state & local governments
  - \$1,400 refundable tax credits to individuals
  - Extends enhanced unemployment insurance benefits until September 6, 2021
- FMAP enhanced rate through at least end of 2021 – federal admin action

# COVID-19 Relief: Education

- ARPA adds much more with same waiver as 5<sup>th</sup> stimulus but additional rules

Education Funds	CARES	CAA	ARPA	Total
Governor's Fund	\$8.7	\$11.0	\$5.1	\$24.8
K-12 Fund	46.4	184.8	415.0	646.2
Higher Education Fund	29.5	51.5	90.8	171.8
<b>Total</b>	<b>\$84.6</b>	<b>\$247.3</b>	<b>\$510.9</b>	<b>\$842.8</b>

\$ in millions



# COVID-19 Relief

Other American Rescue Plan Act Items of Note	RI Share
Students w/ Disabilities & Homeless Youth	\$13.6
Childcare Block Grant & Provider Stabilization	94.4
LIHEAP	30.8
Head Start	3.0
Emergency Assistance for Children & Families	2.7
Supportive Services/Congregate Meals	7.7
Testing/Vaccine	112.0
Mental Health Centers/Behavioral Healthcare	35.3
Transit	29.5

\$ in millions; Data from *Federal Funds Information for States* as of May 25, updated from prior presentation

# American Rescue Plan Act

- State & Local Fiscal Recovery Funds
  - RI to get \$1.8 billion over 2 years
    - \$1,131.1 million to the state
    - \$112.3 million for capital project expenses
    - \$536.8 million to locals
- Use spans several state fiscal years
  - Must obligate by Dec. 31, 2024 - **FY 2025**
  - Funded projects must be completed by Dec. 31, 2026 - **FY 2027**

# ARPA State Fiscal Recovery Funds Timeline

**FY 2021: March 2021 ARPA becomes law**

- 
- \$1,131M - fiscal recovery funds
    - May 2021 interim final rule
    - June 2021 compliance & reporting guidance
    - July 2021 (FY 2022) most recent FAQs updated
    - Dec. 31, 2024 funds must be obligated by (FY 2025)
  - \$112M capital projects fund
    - Sept. 2021 guidance
      - Sept. 24 application opens
    - December 27, 2021 deadline to request funding (FY 2022)
    - September 24, 2022 deadline to submit grant plan (FY 2023)

**FY 2027: All funds must be spent by December 31, 2026**

# State & Local Fiscal Recovery Funds

A. Respond to the public health emergency (PHE) and its economic impacts

B. Respond to workers performing essential work during COVID-19 PHE by providing premium pay to eligible workers

**ARPA specifies  
four eligible  
uses**

C. Provision of government services to the extent of the reduction in revenue due to the COVID-19 PHE

D. To make necessary investments in water, sewer or broadband infrastructure

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\$ in millions

# Broadband Infrastructure

- Proposes \$0.5 million to make the state eligible for existing federal broadband funding and plan for future
  - Current federal grant programs require a designated coordinating entity
  - RI may receive up to \$100 million with federal Infrastructure Investment and Jobs Act
    - Requires future 25% (\$25M) state match
      - Match is eligible use of ARPA State Fiscal Recovery Funds

# Broadband Infrastructure

- Legislation reads “\$500,000 shall be allocated to broadband services which may include coordination, mapping, and development of a statewide plan to provide broadband access to unserved and underserved households and businesses”

# Broadband Infrastructure

- Broadband Director - \$0.1M
  - Designated state broadband coordinator
    - FY 2022 cost only – Annualized \$150k
    - Lead multiagency coordinating committee
    - Create, oversee, and implement strategic plan
- State Strategic Plan - \$0.2M
  - Goals and funding needs based on mapping
- Broadband Mapping - \$0.2M
  - Build on work by van Beuren Charitable Foundation based in Newport
    - Original infrastructure maps by Broadband RI



# Broadband Infrastructure

- Broadband RI: 2011-2015
  - EDC (now Commerce) initiative
  - \$4.5 million federal grant to RI EDC
  - Data & map of fiber optic cables serve as basis for current mapping initiative
- Special Legislative Commission on Broadband Services and Accessibility
  - Published most recent state broadband strategic plan in 2015

# Broadband Infrastructure

- 2021-H 5146 Sub A (Ruggiero)
  - Establishes 11 member broadband council to create a strategic plan for broadband service in the state
  - Creates Broadband Coordinator position at Commerce
- Commerce, DBR, PUC supported
- Passed House – did not pass Senate

# Affordable Housing Background

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- Recent focus of 2021 session activity
  - Funding
  - Governance and reporting
  - Special topic House commissions

# Affordable Housing

- Deputy Secretary of Housing
  - 2021 Assembly established position as state's lead official to coordinate & facilitate housing development
    - FY 2022 budget includes \$0.3 million
  - Required to produce annual reporting on housing units, affordability, healthy housing stock & housing formation trends & recommendations by December 31, 2021
    - Not yet filled - still posted

# Housing Production Fund

- 2021 Assembly established Housing Production Fund recommended by Gov.
  - Administered by RI Housing subject to Coordinating Committee guidelines
    - Financial assistance for the planning, production, or preservation of housing
    - Technical & financial assistance for municipalities
      - Support housing production, regulatory reduction & housing incentives

# Housing Production Fund

- Enacted budget establishes a 2<sup>nd</sup> tax tier of the real estate conveyance tax, effective Jan. 1, 2022
  - Doubles tax to \$4.60 per \$500 (0.92%) for residential properties valued over \$0.8 million
    - Accrues entire \$2.30 increase to restricted Housing Production Fund

# Housing Production Fund

- 2<sup>nd</sup> tax tier effective January 1, 2022

Recipient	Share	FY 2022
Housing Resources Commission	\$0.30	\$6.3
Distressed Community Relief (General Revenues)	0.30	6.3
State General Fund	0.60	12.5
Municipality	1.10	23.0
Housing Production Fund <sup>1</sup>	2.30	1.9
<b>Total</b>	<b>\$4.60</b>	<b>\$49.9</b>

FY 2022 Total \$ in millions; <sup>1</sup>tax effective Jan.1, 2022, half year only

# Housing Production Fund

- Housing Production Fund
  - 2021 Assembly capitalized with \$25.0 million from general revenues
  - Budget assumes additional \$19.2 million over 5-year period - from new dedicated source

Source	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
General Revenues	\$25.0	\$ -	\$ -	\$ -	\$ -	\$25.0
Real Estate Conveyance Tax <sup>1</sup>	1.9	4.2	4.3	4.4	4.5	19.2
<b>Total</b>	<b>\$26.9</b>	<b>\$4.2</b>	<b>\$4.3</b>	<b>\$4.4</b>	<b>\$4.5</b>	<b>\$44.2</b>

\$ in millions; <sup>1</sup>Tax change effective Jan.1, 2022; FY 2022 is half year only



# Housing Production Fund

- Housing Production Fund update
  - Currently awaiting HRC Coordinating Committee meeting to establish parameters
  - Intended to focus on
    - Gap financing for site acquisition & development of low income up to 80% AMI
    - Flexible funding for extremely low income 30% AMI or less developments
      - Capital & capitalized operating support
    - Resources to locals to reduce barriers to production

# Affordable Housing Background

- House Commissions - 2021 Session recess
  - Special Legislative Commission to Study Low and Moderate Income Housing Act
    - Three meetings so far in 2021: 8/17, 9/9, 9/23
    - Next meeting: 11/1/2021
  - Special Legislative Commission to Study The Entire Area of Land Use, Preservation, Development, Housing, Environment, & Regulation
    - Two meetings so far in 2021: 10/05, 10/28
    - Next meeting: 11/2/2021

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\$ in millions

# Affordable Housing Development

- Proposal adds \$15.0 million supplement to existing affordable housing funding programs
  - Enhanced gap financing
    - To supplement G.O. bonds, federal low income tax credits, new Housing Production Fund sources
    - Subsidy equal to the total project gap
  - Single application w/ Building Homes RI (BHRI)
    - Corresponds to ballot year approvals
      - BHRI: 2006, BHRI II: 2012; BHRI III: 2016; BHRI IV: 2021
      - Application also supports federal low income tax credits

# Affordable Housing Development

- Assumes 3 rounds of obligations in FY 2022 of \$27.3 million each from 3 sources
  - Excludes state allocation of federal Low Income Housing Tax Credits (LIHTC) awards
  - To be spent over three years

<b>Funding Source</b>	<b>Total</b>	<b>Est. Split</b>
G.O Bonds - 2021 Ballot	\$50.0	\$16.7
Housing Production Fund	17.0	5.6
ARPA Funds	15.0	5.0
<b>Total</b>	<b>\$82.0</b>	<b>\$27.3</b>

\$ in millions

# Affordable Housing Development: LIHTC

- Federal Low Income Housing Tax Credits  
Credit values fixed to deliver 10-year subsidy
  - Proposal assumes incentivizing a shift from 9.0% LIHTC to 4.0% LIHTC program
- Subsidy computed consistent w/ federal law
  - Equals the present value of the tax credits divided by the qualified basis
    - Qualified basis roughly the cost of construction

<b>Tax Credit</b>	<b>Est. 10-yr Net Present Value</b>	<b>Award Type</b>
9.0%	70.0% property value, less land	Competitive
4.0%	30.0% property value, less land	Non-competitive

# Affordable Housing Development: LIHTC

- Federal Low Income Tax Credits
  - 9.0% credit limited to state's annual allocation
    - FY 2021: \$3.2M (committed); FY 2022: \$2.8M
    - Both years are small state minimum
  - 4.0% credit use limited to RI Housing's tax-exempt bond cap set by Public Finance Management Board
    - Bonds issued by RI Housing; not a state obligation
      - Available for acquisition, new construction, rehabilitation
    - Automatically available to projects w/ 50% tax-exempt bond financing

# Affordable Housing: G.O. Bonds

- In 2006, 2012, & 2016, voters approved total G.O. bond issuances of \$115.0 million for Affordable Housing
  - Additional \$10 million for blight remediation
- Voters in March 2021 approved new \$65.0 million G.O. bond issuance
  - Assumes unspecified amount for RI Housing Acquisition & Revitalization Program (ARP)
    - or “Blight”
  - EOC reports \$15.0 million



# Affordable Housing G.O. Bonds

- 2012 & 2016 bonds specifically for
  - New construction & redevelopment of existing structures
    - 2016 included \$10.0 million for RI Housing Acquisition & Revitalization Program
      - \$4.0 million for residential development – 152 residential units: 147 rental
- 2006 bonds matching funds allocation
  - 80% for deferred loans for rental units
  - 20% for development of home owner units

# Affordable Housing G.O. Bonds

FY	BHRI	G.O. Bond	Blight	Afford. Housing	Total Units	Rental	To Own
2006	I	\$50.0	-	\$50.0	1,226	1,077	149
2012	II	25.0	-	25.0	748	726	22
2016	III	50.0	(10.0)	40.0	1,248	1,220	28
2021	IV	65.0	(15.0)	50.0	<i>Not Yet Awarded</i>		
<b>Total</b>		<b>\$190.0</b>	<b>(25.0)</b>	<b>\$165.0</b>	<b>&gt;3,222</b>	<b>&gt;3,023</b>	<b>&gt;199</b>

\$ in millions

- 2016 & earlier bonds committed; \$19.9 million awaiting disbursement to awardees from RI Housing

# Affordable Housing G.O. Bonds

FY	2006	2012	2016
Pre-2013	\$50.0	\$ -	\$ -
2014	-	3.1	-
2015	-	6.3	-
2016	-	9.4	-
2017	-	3.1	-
2018	-	3.1	-
2019	-	-	6.5
2020	-	-	13.4
2021	-	-	1.1
2022	-	-	5.0
<b>Total</b>	<b>\$50.0</b>	<b>\$25.0</b>	<b>\$26.0</b>

- G.O. bond funds disbursed to RI Housing incrementally
  - ~\$14.0 million awaiting disbursement to RI Housing from state from 2016 issuance

\$ in millions

# Affordable Housing Development

- Legislation cites: “\$15,000,000 shall be allocated under the administration of the Rhode Island Housing and Mortgage Finance Corporation to the development of affordable housing units”

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\$ in millions

# Site Acquisition

- Proposes \$12.0 million for RI Housing to continue its site acquisition program
  - For subsidies limited to property purchases
    - To secure site control for future development
    - Response to current competitive real estate environment
  - Allows developers additional time to assemble resources for redevelopment
    - Targeted for households up to 80% AMI
  - To provide project pipeline to be future candidates for affordable housing funding

# Site Acquisition

- Governor Raimondo provided \$1.6 million from federal CRF for 2 properties during 2020
  - RI Housing authorized \$2.1 million for 3 sites
    - One property lost site control
    - Cost of another increased nearly 19%
    - For use as emergency shelters - COVID-19  
Required commitment to subsequently use property as supportive housing

# Site Acquisition

- Legislation cites “\$12,000,000 shall be allocated toward the acquisition of properties for redevelopment as affordable housing and supportive housing”



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\$ in millions

# Housing Stability

- Proposes \$1.5 million to assist 500 people experiencing homelessness
  - Housing navigation, stabilization & mental health services grants to providers
    - Estimate based on 1:15 case manager caseload
      - 500 above baseline; ~33 case managers
    - Existing network reportedly strained
  - Assumes 6 month implementation
    - Through the end of FY 2022
    - Assumes provider training standards & policy support from BHDDH & RI Continuum of Care (RI CoC) during the interim

# Housing Stability

- OHCD & RI COC to issue RFP
  - Under existing Consolidated Homeless Fund to existing/new providers
  - Anticipates working w/ BHDDH, EOHHS & “others” to supplement funding
  - \$1.2 million of grants for 500 = \$2,400/person
  - Assumes future requests for funding possible

<b>Housing Stability</b>	
Provider grants	\$1.2
Training Expenses	0.3
<b>Total</b>	<b>\$1.5</b>

\$ in millions

# Housing Stability: Pay for Success

- 2021 Assembly authorized pilot program
  - EOHHS contracts w/ non-profit investors & service providers for 5 years
    - Contractors provide 125 individuals experiencing homelessness supportive housing & wrap around services
  - Capitalized w/\$6.0 million to repay investors if savings are achieved compared to baseline
  - Baseline outlays ~\$1.5 million annually = ~\$12,000/person

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\$ in millions

# Affordable Housing Capacity

- Proposes \$0.5 million to hire contracted staff for estimated 6 months
- OHCD's capacity to receive & process new/increased federal & other funding reportedly strained
  - 2021 Assembly provided \$125,000 & 1.0 new FTE
  - Additional financial reporting & administrative processing support for new pandemic-related federal grant activities – Posted June 2021; filled September 2021

# Affordable Housing Capacity

- To provide administrative capacity for
  - Operations to ensure timing of contracting
  - Research & data
  - Stakeholder engagement
  - Program director for homelessness programs
  - Development programs director
    - Assist municipalities that identify & expedite housing development opportunities
  - 2-3 service & performance managers
    - For federal compliance & program goals achievement

# Affordable Housing Capacity

- Legislation cites “\$500,000 shall be dedicated to expanding programmatic and administrative capacity for affordable housing in Rhode Island”



# Issues to Consider

- Proposed legislative language provides broad flexibility on uses
  - Proposed allocations not binding
- Should there be specific limits on assistance or participants
  - Any other binding guidance
- Timeline
  - Design suggests minimum of three months before most assistance reaches targets
  - Potential ongoing funding issues

# References

- Finance Committee Documents
  - <https://www.rilegislature.gov/Special/comdoc/Pages/HFIN.aspx>
- House Fiscal
  - Governor Proposal and Staff Analyses
  - <https://www.rilegislature.gov/housefiscalreport/Pages/hfreports2021.aspx>
- ARPA Task Force Materials
  - <https://www.rilegislature.gov/commissions/arpa/Pages/hmaterials.aspx>
  - Most documents from US Treasury

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