



Rhode Island Housing
working together to bring you home

February 15, 2018

The Honorable Gina M. Raimondo
Office of the Governor
82 Smith Street
Providence, RI 02903

Dear Governor Raimondo,

Pursuant to the Housing Act of 2004 (the “Housing Act”), Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) is responsible for issuing letters of eligibility for developments proposed under the state’s comprehensive permit process (R.I.G.L. 42-55-5.3). The comprehensive permit process has become an important tool in increasing housing production in Rhode Island, which is an essential component in spurring economic development. The Housing Act requires RIHousing to report annually on the number of letters of eligibility issued and the units of low- and moderate-income housing constructed under federal and state subsidy programs. I am pleased to present you with RIHousing’s annual report for calendar year 2017.

The 2017 annual report shows a decrease in the number of letters of eligibility requested in 2017 versus 2016. The production of low-and moderate-income housing remains very low compared to historic levels, due, in large part, to reductions in federal and state funding. The Housing Opportunity Bond approved by Rhode Island voters in November 2016 is projected to increase affordable housing production by 40% during 2019-2021. While more is required, this renewed investment in housing production is a small, but critical step towards moving Rhode Island closer to meeting the future housing needs of the state.

Sincerely,

Barbara G. Fields
Executive Director

Enclosure

**Report on Letters of Eligibility for Comprehensive Permits
and the Production of Low- and Moderate-Income Housing Pursuant to
R.I.G.L. Sec. 42-55-5.3(c)**

ACTIVITY FOR CALENDAR YEAR 2017

Submitted by RIHousing

February 15, 2018

Background

Under the Rhode Island Low and Moderate Income Housing Act, Chapter 53 of Title 45 of the Rhode Island General Laws (the “Act”), any applicant proposing to build housing in which at least twenty-five percent (25%) of the housing is low or moderate income housing may submit an application for a comprehensive permit in lieu of separate applications to applicable local boards. Housing is considered to be “low or moderate income housing” if the housing is subsidized by a federal, state or municipal government under any affordable housing program, and if the housing is subject to an appropriate deed restriction that provides for the continued affordability of the housing for no less than thirty (30) years (R.I.G.L. Sec. 45-53.3(9)). An applicant for a comprehensive permit must submit a “letter of eligibility” (“LOE”) for the applicable federal, state or local subsidy program in order to use the comprehensive permit process (R.I.G.L. Sec. 45-53-4(a)(1)(i)). RIHousing is charged with the issuance of LOEs to applicants who seek to follow the comprehensive permit process under the Act (R.I.G.L. Sec. 42-55-5.3(a)).

A LOE indicates a proposed project’s eligibility to receive or compete for a housing subsidy that will assist with the creation or rehabilitation of low- to moderate-income housing. A LOE is proof of eligibility for a housing subsidy and a required element of all local applications for comprehensive permits. The LOE is not a commitment of financing. The letter provides guidance to local boards reviewing the application for a comprehensive permit that the project as presented by the developer is eligible for the proposed subsidy. RIHousing often confers with local planners relative to municipal subsidies proposed by developers to ascertain their eligibility for the proposed municipal subsidy.

It should be noted that the number and type of homes proposed in LOEs for comprehensive permits reflect developers’ plans at the very earliest stages of project review and approval. Characteristics of these proposed developments may change significantly as they move through the local review process. Local decisions on comprehensive permits may be appealed to the State Housing Appeals Board (“SHAB”). Appellate review of SHAB decisions may be taken to Superior Court.

Although RIHousing issues the majority of LOEs each year, comprehensive permits are occasionally initiated with LOEs issued directly from funders of the proposed project. Under R.I.G.L. Sec. 45-53-4(i) developers may seek LOEs for municipal subsidies that are described in local ordinances such as density bonuses. Municipalities may also begin local comprehensive permit review by accepting a LOE in the form of direct subsidy award letters issued by the United States Department of Housing and Urban Development (“HUD”). Developers who initiate comprehensive permits

with a LOE from one subsidy source may also compete at a later time for a different subsidy and/or for additional state, federal or municipal subsidies.

Pursuant to R.I.G.L. Sec. 42-55-5.3, RIHousing is required to provide an annual report to the Governor, the Speaker of the House, the President of the Senate, and the Secretary of the State Planning Council on its activities with respect to issuance of LOEs and for affordable housing development activity in the state. Specifically, RIHousing is required to annually report on the following information:

- (1) The number of letters of eligibility issued, the federal and state subsidy programs under which they were eligible, and the number of proposed subsidized units involved, by city and town, during the preceding calendar year;
- (2) The number of units of low and moderate income housing constructed under federal and state subsidy programs, during the preceding calendar year;
- (3) The average annual number of units of low and moderate income housing constructed under federal and state subsidy programs for the three (3) preceding calendar years; and
- (4) The number of units of low and moderate income housing likely to be constructed in the current calendar year based on the three (3) year average of units constructed, adjusted for any changes in law that either increased or decreased funding available for subsidizing the construction of low and moderate income housing.

This document constitutes RIHousing's annual report under this section of the Act.

Letters of Eligibility Calendar Year 2017

In calendar year 2017, a total of two (2) LOEs were issued by RIHousing and used to initiate local comprehensive permit reviews. LOEs for comprehensive permits were issued for proposed developments located in the following communities during 2017:

East Greenwich
Narragansett

Of the two (2) LOEs RIHousing issued in 2016, both are eligible for municipal subsidies.

Proposed Low and Moderate Income Homes

The two (2) LOEs represent comprehensive permit applications that propose a total of 19 homes, which includes both market rate and low- and moderate-income homes. Of the 19 total homes under these LOEs, 6 are affordable to low- and moderate-income households. All homes proposed are homeownership opportunities. The two LOEs issued in 2017 is a drop from the nine issued in 2016 that proposed creating 152 low- and moderate-income homes.

The following chart shows the number of proposed subsidized units, by city and town, in 2017:

City or Town	Proposed Subsidized Units
East Greenwich	4
Narragansett	2

Low- and Moderate-Income Home Production

The table below lists the number of low- and moderate-income homes projected to be produced with a federal or state subsidy in 2017, and total homes produced with a federal or state subsidy during the three (3) prior years. These numbers are drawn from the Low and Moderate Income Homes by Community Chart for these years. The chart is compiled annually based on the number of low- and moderate-homes (LMI) homes that have received Certificates of Occupancy by December 31. Because some of these figures are updated and refined each year, the total number of new homes produced as shown in this report may be somewhat different from the change in units that you would find simply comparing the chart from year to year. The draft 2017 chart will be published for public comment; therefore the number of homes produced in 2017 shown below is a draft number and may be modified as a result of feedback from the cities and towns.

Low- and Moderate-Income Home Production under State or Federal Subsidy Programs	
Year	# Units Produced
2017	193*
2016	119
2015	157
2014	101

**preliminary estimate*

The current estimated 2017 production of 193 LMI homes represents a 62% increase in production from 2016; however this increase is not necessarily indicative of an increase in funding or housing development, but is largely due to the timing of when a number of developments received their Certificates of Occupancy. Nonetheless, LMI home production continues to be well below historic levels and far below the level needed to meet the state’s future housing needs as described in the Projecting Future Housing Needs Report produced for RIHousing by HousingWorks RI at Roger Williams University in 2016.

Projected Low- and Moderate-Income Home Production for 2018

R.I.G.L. Sec. 42-55-5.3(c)(4) describes the method to project the number of low- and moderate-income homes likely to be produced in the next calendar year. The average number of homes created during the previous three (3) years is determined to produce the projected production number. The resulting production number is adjusted for any changes in law that either increased or decreased funding available for subsidizing the construction of low- and moderate-income homes.

The average number of low- and moderate-income homes constructed during calendar years 2015 to 2017 was 156, and we anticipate a similar level of production in 2018. There are several factors that will impact housing production moving forward, including passage of the \$50 million Housing Opportunity Bond in 2016 which will increase resources for housing, and changes to the federal tax code which will likely erode the value of federal Low Income Housing Tax Credits, resulting in fewer resources for housing development. However, the impacts of both of these changes are unlikely to influence housing production levels until 2019.