

Request for Action
By
Board of Commissioners

Approval of Final 2026 Qualified Allocation Plan

1. Summary of Issues

At its June 30, 2025 meeting, the Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Board of Commissioners approved a draft 2026 Qualified Allocation Plan (“2026 QAP”), which will govern the allocation of low-income housing tax credits (“LIHTC”), and authorized publication of notices advertising a public hearing on the draft 2026 QAP and opportunity to submit comments.

A public hearing was held on July 15, 2025 via video conference with approximately 18 attendees. The public comment period ended on July 18, 2025. As of that date, four parties had submitted written comments, which are summarized below.

Staff proposes the following changes to the draft 2026 QAP, as blacklined in Attachment B and summarized below, to address public comments and to correct some clerical errors:

Section I(D)(8) – Ten Year Placed In Service Restriction (Page 15)	Included reference to IRC Section 42 for information regarding exceptions.
Section I(J) – Affirmative Action/Equal Employment Opportunity (“EEO”) (Page 18)	Revised to acknowledge the possibility of future changes in State law.
Section I(K)(1) – Siting and Marketing Consideration (Page 19)	Revised to clarify RIHousing’s position regarding access to housing on an equal basis without regard to protected characteristics.
Section I(K)(1) – Limited English Proficiency (“LEP”) (Pages 20-21)	Revised to better align with current federal guidance.
Section III(B) – Mixed Income (Page 39)	Revised to correct typo and clarify restrictions for eligible units.

The final 2026 QAP is set forth at Attachment C. The 2026 QAP will become effective upon (i) final approval by the Board of Commissioners; (ii) approval by the Governor; and (iii) posting to the RIHousing website as a guidance document.

2. Summary of Public Comments

Commenter 1

Commenter 1, the Rhode Island Public Expenditure Council (“RIPEC”), provided

written comments, which are summarized and addressed below:

Comment 1

Commenter 1 suggested that the 2026 QAP reduce the total development costs (“TDC”) per residential unit threshold and ensure its strict application.

Commenter 1 noted that “...the relatively generous TDC cap of \$500,000 is not strictly applied in the draft QAP, which includes eight separate "extraordinary conditions" allowing developments to proceed to scoring despite exceeding the cap. Research indicates that strong cost discipline promotes greater affordable housing production, encourages innovation and value engineering, and upholds program integrity and fairness...Lastly, it is unclear how genuinely "extraordinary" some of the listed conditions are. For instance, one of the permitted extraordinary conditions-unsuitable soil conditions-was cited as a factor resulting in cost-overruns over preliminary estimates in four of the last ten LIHTC transactions.

For these reasons, Commenter 1 recommends that the 2026 QAP lower the TDC caps per residential unit from \$500,000 to the TDC caps outlined in RIHousing's Developer's Handbook and remove all extraordinary conditions.

RIHousing is mindful of the need to contain costs and believes implementing the TDC caps is the most effective manner to do so. We believe the \$500,000 cap is consistent with current construction cost trends and fair relative to the market. We acknowledge that due to the types of sites available for housing development and the need to accommodate unforeseen increases in hard and soft costs associated with LIHTC development, it is reasonable to have a process to accommodate exceptions. Regarding unsuitable soil conditions, the presence of such in 40% of approved projects would argue for a higher cap rather than treating such conditions as an exception; however, we believe a lower TDC cap with flexibility for exceptions will be more effective at containing costs overall. No change is recommended.

Comment 2

Commenter 1 suggested that the 2026 QAP incentivize mixed-income housing by prioritizing developments that include middle-income and market-rate residential units.

In response to similar comments from Commenter 1 on last year's QAP, RIHousing increased the number of points awarded for the incorporation of mixed/market rate housing from 3 to 5. We understand the need for housing at all price points in our current market and feel this is the appropriate weight for an incentive. While production of housing at all levels is necessary, the LIHTC program is principally intended to produce units serving low income populations, specifically those households earning less than 60% of Area Median Income, and as such, most of the resources generated by the program are best served for that purpose. No change is recommended.

Comment 3

Commenter 1 suggested that the 2026 QAP allow the allocation of LIHTCs for the development of new Single Room Occupancy (SRO) units.

While SRO housing is an allowed use of LIHTC under Section 42 of the Internal Revenue Code, RIHousing moved away from using LIHTC to fund SRO units in 2023 after consultation with partners directly involved in the housing and provision of services to individuals experiencing homelessness and other at-risk populations. Those conversations indicated that providers strongly believed the use of SRO housing was no longer a best practice and did not provide those at-risk households with the best chance of success. In fact, several providers have moved to convert existing SROs to efficiencies or 1-bedroom apartments to more effectively serve at-risk populations. Our conclusion was that SROs, while on their face more cost effective, lacked the dignity and permanence that should be inherent in housing solutions for our most vulnerable Rhode Islanders. RIHousing is open to further conversations about how SROs or alternative co-living or shared housing opportunities could help address the housing needs of low- or moderate-income Rhode Islanders, however no change is recommended at this time.

Commenter 2

Commenter 2, ONE Neighborhood Builders, provided written comments, which are summarized and addressed below:

Comment 1

Commenter 2 suggested that the 2026 QAP specifically address certain exceptions to the Ten Year Placed In Service Restriction. More specifically, they pointed to language on Page 15, which states, “To be eligible for the acquisition credit, buildings may not have been placed in service within the last 10 years.” Commenter 2 further noted that “if the chain of title indicates that a building was owned by nonprofits over the last 10 years or if the development is substantially assisted with federal or state housing programs, then the purchase price attributable to the building can qualify for acquisition credits, according to Novogradac and 26 U.S. Code § 42. We recommend that the QAP be updated to reflect these exceptions to the 10-year limit for acquisition credits.”

As noted, these exceptions are noted in Section 42 of the Internal Revenue Code, and we will include a reference to exceptions in Section 42 for clarity.

Comment 2

In reference to the Financing Points, Commenter 2 noted that they “appreciate that unsuitable soils were included in this section as extraordinary conditions that would allow a development to exceed the TDC cap. This section also states that one of the acceptable extraordinary conditions includes, “Excessive environmental remediation defined in a remedial action work plan required by either the Environmental Protection Agency, the RI Department of Environmental Management, or the Coastal Resources Management Council” (p. 36). We incur significant costs associated with additional testing, sampling, monitoring, and reporting requested by RIDEM to develop the remedial action work plan. For one of our housing developments, the process of developing the remedial action plan cost over \$100,000 due to repeated requests for additional testing, monitoring, and

sampling from RIDEM. We thus recommend that the costs associated with developing a remedial action plan be considered an acceptable extraordinary condition.”

The proposed list of Extraordinary Conditions was not meant to be all-inclusive. The application can address additional requests for a cost to be considered an extraordinary condition. No change is recommended.

Comment 3

In reference to adding 2 points for making no less than 10% of the newly created units accessible, Commenter 2 noted that they “appreciate RIH’s allocation of points for additional accessible units. To ensure that developers better understand what type of accessible units would be awarded, we recommend that the QAP clarify whether additional Type A or Type B units would receive these points. If Type A, we recommend that RIH consider increasing this section to 5 points. This would reflect the additional site changes that may be required for more Type A units, such as parking. We also encourage RIH to review Massachusetts’ QAP’s scoring of accessible units and determine whether any of these provisions would make sense for RI. Massachusetts’ QAP provides up to 10 points (of 86 total points for special project characteristics) and an additional per unit subsidy for accessible units above what is required by statute or building code and provides specific examples of what this enhanced accessibility could entail (p. 64). The higher point limit would likely also encourage more developers to meet this threshold, which would support the desired goal: to create more accessible, affordable housing units for Rhode Islanders.”

The current standard applied by RIHousing is that 5% of all dwelling units meet Uniform Federal Accessibility Standards (UFAS) accessibility criteria. Bonus points are applied for developments exceeding 10% of Type A UFAS-compliant units. No change is recommended.

Comment 4

Commenter 2 also noted that “the inclusion of mixed income developments in the QAP is intriguing, and ONB looks forward to continuing to consider mixed income housing. This section says, “Development will have a range of income levels and at least 15% of the units are over 80% AMI units and the developer can demonstrate that the units don’t need a capital subsidy” (p. 39). The points for this section then are defined in terms of the “market rate” units. Although, per RI Gen L § 42-128-8.1., rental housing is considered “affordable” for households earning less than 80% AMI, rental housing in Rhode Island can still be deed restricted up to 120% AMI. This wording of “market rate” may inadvertently discourage the development of “middle income housing” for households earning between 80% and 120% AMI, housing that is part of the Housing 2030 and broader Rhode Island housing goals. We recommend changing this language to encourage deed-restricted housing for households earning between 80% and 120% AMI.

Additionally, this section awards up to 5 points for market rate units: 15% of the units are

market rate (2 points), up to 20% of the units are market rate (3 points), and more than 30% of the units are market rate (5 points). Is that final category meant to say, “up to 30%” rather than “more than 30%”? If a development had, say, 25% market rate units, it is unclear how many points that development would receive. In addition, if the “more than 30%” is as intended, it would be helpful to clarify and understand this reasoning as this awarding of points would seem contradictory to Rhode Island’s housing needs and the state’s Housing 2030 Plan.

To provide greater clarity, RIHousing will adjust the language to read “units serving households above 80% AMI” instead of “market rate”. Similarly, we will change “more than 30%” to “more than 20%” as it was a typographical error.

Comment 5

Commenter 2 also stated “[w]e appreciate that RIHousing encourages 30 years of affordability through the QAP. However, we recommend that the QAP consider encouraging even longer affordability to preserve long-term affordability in Rhode Island.”

Functionally, very few developments financed via the LIHTC in Rhode Island ever move from affordable to market. They are refinanced after the compliance period and extend affordability at that time. We will research the potential impact of longer affordability covenants as we move forward and assess potential impacts on credit pricing and investment to inform future QAPs. No change is recommended.

Commenter 3

Commenter 3, Preservation of Affordable Housing (POAH), provided written comments, which are summarized and addressed below:

Comment 1

Commenter 3’s recommendations were made primarily to address current practices on 4% deals that, while not addressed in the draft 2026 QAP, are changes that they feel would positively impact the LIHTC program in Rhode Island. More specifically, Commenter 3 notes that the current fee cap of 1% of construction costs for Clerks/Owner’s Project Managers (“OPMs”) is below market and does not reflect the evolution of that role in recent years. Commenter 3 suggested a separate \$2,000/unit fee cap for rehabilitation projects as well as alternative calculations for smaller projects. Additionally, Commenter 3 noted that aligning Clerk/OPM billing with GC completion may disincentivize the Clerk to provide oversight if it may lead to a delay in GC billing. Commenter 3 suggested that the project sponsor should manage the Clerk/OPM’s payment schedule instead.

Although a change in Clerk/OPM fee caps and payment schedule requirements may impact developments participating in the LIHTC program, as noted by the Commenter, these

restrictions are not currently addressed in the Plan. RIHousing recognizes that Clerk/OPM costs have risen, and while further examination of this matter is necessary, any such changes will be more appropriately addressed in other RIHousing guidance documents. No change is recommended.

Comment 2

Commenter 3 also noted that RIHousing’s practice of reviewing plans at 50%, 90%, and 100% is a time-consuming process. Commenter 3 encouraged RIHousing to condense its design review to focus on two reviews – one at 50%, and one at 90% or 100%, with the expectation that the architect can issue an addendum to address any outstanding issues.

RIHousing intends to assess the Design and Construction process in the coming year, and while we acknowledge that a change to the design review process will impact developments taking part in the LIHTC program, any such changes will be more appropriately addressed in other RIHousing guidance documents. No change is recommended.

Commenter 4

Commenter 4, Pennrose, provided written comments which are summarized and addressed below:

Comment 1

Commenter 4 strongly encouraged the 2026 QAP “to encourage and allow developers to generate additional tax credit equity through basis generated by acquisition value (offset by a seller note) or additional deferred developer fee above the allowable paid fee. These costs should not be included in the calculation of the per unit TDC thresholds.

These costs should be treated just like capitalized reserves and excluded from the per unit TDC calculation. The additional tax credit equity generated from these costs go towards benefiting the development without a cost to the State of Rhode Island.”

RIHousing agrees that we need a thoughtful way to account for the inclusion of acquisition costs/assumed debt, which, while seemingly adding to the TDC calculation, are paper costs only and reflect no additional investment on the part of RIHousing or others. Currently, our TDC calculations include all sources and uses, including rollover debt, as this generates additional LIHTC basis and is required by syndicators/investors in some deals. While at this time, we recommend no changes to the QAP, we acknowledge this issue and believe it warrants further examination. No change is recommended.

Comment 2

Commenter 4 also stated that “if TDC per unit increases post award but the developer secured funding from other sources to fill the gap, we believe that the developer should not be penalized.”

As above, this is an important issue that RIHousing is committed to working through internally.

In the context of ongoing conversations about development costs, we want to ensure that we are stewards of RIHousing resources and mindful of the developer's proactive role in offsetting unanticipated costs. We will conduct further research on this issue; however, no change is recommended at this time.

3. Recommendation

Staff recommends that the Board of Commissioners approve the attached resolution adopting the 2026 QAP and recommending the 2026 QAP for final approval and endorsement by the Governor.

4. Attachments

- a. Resolution
- b. 2026 Qualified Allocation Plan – Blackline (to proposed draft 2026 QAP)
- c. 2026 Qualified Allocation Plan – Final (Clean)

Attachment A

Resolution of the Board of Commissioners of Rhode Island Housing and Mortgage Finance Corporation

WHEREAS, Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) has been designated by the Governor as the Tax Credit Allocating Agency for the State of Rhode Island;

WHEREAS, the Revenue Reconciliation Act of 1989, as amended, requires tax credit allocating agencies to allocate low-income housing tax credits (“LIHTC”) according to a Qualified Allocation Plan (the “Plan”);

WHEREAS, the Plan must establish priorities and criteria for allocating the tax credits that best meet the housing needs of residents of the State of Rhode Island and must be adopted pursuant to a public hearing and comment period; and

WHEREAS, housing needs for the State of Rhode Island have been established pursuant to the Rhode Island Consolidated Plan: 2025-2029 and are incorporated into the 2026 Qualified Allocation Plan (the “2026 QAP”).

NOW, THEREFORE, BE IT:

RESOLVED, that RIHousing adopt the 2026 QAP for the State of Rhode Island in substantially the form attached hereto at Attachment C, and hereby recommends the 2026 QAP be approved and endorsed by the Governor of the State of Rhode Island; and

RESOLVED, that RIHousing develop and distribute a Request for Proposals soliciting applications for 2026 LIHTC pursuant to the 2026 QAP; and

RESOLVED, that the Executive Director, Deputy Executive Director, and Director of Real Estate Development, each acting singly, be, and hereby are, authorized and empowered and directed to take such action as she or he, in her or his sole discretion, shall deem necessary or desirable to effectuate the foregoing resolutions.