

Testimony on
“A Blueprint for Prosperity: Expanding Housing Affordability”
Before the Senate Budget Committee
by Carol Ventura, Executive Director RIHousing
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Mr. Chairman, Ranking Member Grassley, and members of the Committee, thank you for this opportunity to testify on the serious housing affordability challenges facing our country.

I am Carol Ventura, Executive Director of RIHousing, the Housing Finance Agency (HFA) for the State of Rhode Island. HFAs are state-chartered, mission-driven agencies that address the full spectrum of affordable housing need, from homelessness to homeownership. In Rhode Island, we provide financing and counseling to help low- and moderate-income households buy and keep a home, provide rental assistance to low-income tenants, finance the development and preservation of affordable housing and service our mortgage portfolio, among other important functions. Last year RIHousing celebrated an important milestone, our 50th anniversary. Over the past 50 years RIHousing has provided \$8 billion in mortgage financing, assisted 85,000 first time homebuyers, and financed the development or preservation of over 24,000 affordable units.

Housing Affordability Challenges Facing Rhode Island

Like many states across the country, Rhode Island is facing a critical housing shortage which has contributed to significant increases in housing prices. The state has simply not produced enough housing to meet the needs of its residents at the price points that would be affordable to them. Over the past decade, Rhode Island’s rate of permitting has ranked last in the nation at 10.8 total housing permits issued per 1,000 residents¹. Residential permitting in Rhode Island in 2020 was 1/5 of what it was in 1986 with both single-family and multi-family housing permits seeing dramatic declines².

As housing production has slowed, vacancy rates have decreased. From 2018 to 2021, the number of vacant housing units in Rhode Island decreased by nearly 30% as the number of households grew faster than the number of housing units.³ The vacancy rate in Rhode Island in the fourth quarter of 2023 was 3.4% which is better than the 2.51% we saw in 2021⁴, but still extremely tight. We are seeing similar tightness in the inventory of homes for sale. In November of 2023 Rhode Island had a 1.9 month supply of homes for sale, known as housing inventory. That’s one-third of the six-month inventory required for a balanced housing market⁵.

¹ RI Foundation, “Housing Supply and Homelessness in Rhode Island,” April, 2023, pg 41.

² RI Foundation, “Housing Supply and Homelessness in Rhode Island,” April, 2023, pg 43.

³ RI Foundation, “Housing Supply and Homelessness in Rhode Island,” April, 2023.

⁴ CoStar MarketTrends, retrieved January 16, 2024

⁵ RI Association of Realtors, November 2023,

<https://www.rhodeislandliving.com/PressReleases/Archives/2023/December/Infographics/Infographic-November-2023.pdf>.

Not surprisingly, as the supply of available housing has decreased, housing costs have increased significantly. The median price of a single-family home in Rhode Island was \$425,000 in 2023, up 49% from 2019⁶. The average asking rent in Rhode Island in 2023 was \$1,846, up 23% from 2019. Rhode Island is now regularly being identified as a “hot” housing market with Realtor.com recently ranking Rhode Island tenth on its list of hottest housing markets in the United States⁷ and Zillow predicting that Providence will be the fifth-hottest housing market in the country in 2024, just below Buffalo, New York; Cincinnati, Ohio; Columbus, Ohio and Indianapolis, Indiana⁸.

As housing costs have risen, more and more Rhode Islanders are struggling to access and sustain housing they can afford. According to HousingWorksRI, in 2022, a household earning the median income in Rhode Island could afford the median priced single-family home in only one community⁹. Renters fared no better with a household earning the state’s median renter household income of \$41,277 able to afford the average 2-bedroom rent in only one Rhode Island town¹⁰. Across Rhode Island, about 150,000 households (1/3 of the population), including about 78,000 home-owner households, are housing cost-burdened (paying more than 30% of their income for housing costs)¹¹.

We are also seeing significant increases in the number of homeless and housing insecure Rhode Islanders as these market dynamics coincide with the loss of federal COVID-related income and housing supports that I will discuss in more detail below. Rhode Island had the 17th highest per capita homelessness count in the country in 2022. Homelessness in Rhode Island has grown about 43% since 2020, the 6th highest growth rate in the country¹². Evictions are also on the rise with the number of eviction judgements in Rhode Island almost doubling over the past three years going from 2,730 in 2021 to 5,406 in 2023, approaching the pre-COVID average number of judgements.

At RIHousing we are seeing the impacts of these market conditions on the customers we serve. As housing prices have increased along with mortgage interest rates, the average income of our homebuyers and the size of their mortgages have also risen. The average income of our homebuyers in 2023 was \$92,000 up 44% from 2019. Over that same time frame, our average loan amount increased 55% to \$344,000. Lower income borrowers, particularly first-time home buyers who are unable to tap the equity from the sale of another property, are really struggling to enter this housing market.

How Federal Resources Are Helping Address Housing Affordability Challenges

The federal government has played an essential role in helping Rhode Island address these serious housing affordability challenges. Most recently in response to the global COVID-19 pandemic, Congress approved billions of dollars in relief programs designed to keep vulnerable homeowners

⁶ RI Realtors Association

⁷ Market Hotness Index, Realtors.com, December 2023, <https://www.realtor.com/research/reports/hottest-markets/>

⁸ “Why Buffalo will be 2024’s Hottest Market,” Zillow.com, last modified January 4, 2024. <https://www.zillow.com/research/2024-hottest-market-33566/>.

⁹ HousingWorksRI, “2023 Housing Fact Book,” pg 10.

¹⁰ HousingWorksRI, “2023 Housing Fact Book,” pg 11.

¹¹ RI Foundation, “Housing Supply and Homelessness in Rhode Island,” April, 2023, pg 29.

¹² RI Foundation, “Housing Supply and Homelessness in Rhode Island,” April, 2023, pg 105.

and renters safely housed during a public health crisis. RIHousing was proud to administer over \$279 million in Emergency Rental Assistance (ERA) and \$50 million through the Homeowner Assistance Fund. Through the ERA program we were able to provide rental assistance needed to keep over 34,000 households in their apartments. Those households were overwhelmingly very low-income with 89% earning less than 50% of Area Median Income (AMI) (\$46,100 for a family of three in most parts of the state) and 67% earning less than 30% of AMI (\$27,650 for a family of three in most parts of the state). Working with Rhode Island Legal Services, the Center for Justice and other community partners we were able to provide eviction prevention services to renters right in the courthouses. Tenants facing eviction received help submitting an application for emergency rental assistance as well as legal representation during the eviction proceedings. Eviction court judges worked with us and our partners to ensure that tenants were not evicted for non-payment if they had an active application for rental assistance. This program, combined with the federal eviction moratorium was extremely effective at preventing displacement of renters at the height of the pandemic, while ensuring that landlords received the payments they needed to pay their own mortgages and cover their operating costs. From 2020 to 2022 the number of eviction judgements in Rhode Island dropped 46% below the pre-COVID average (from 5600 to 3040)¹³.

The Homeowner Assistance Fund played a similarly important role for homeowners facing pandemic related financial hardships. To date, RIHousing has provided \$45 million in HAF-RI assistance to keep over 1,800 Rhode Island homeowners in their homes. Participating homeowners were also heavily low and moderate income with 44% earning less than 50% AMI and 80% earning less than 80% AMI (\$73,750 for a family of three in most parts of the state). Rhode Island homeowners also benefitted significantly from loss mitigation steps taken by FHA, Fannie Mae and Freddie Mac to put homeowners who fell behind on their mortgage payments during the pandemic back on track. Through these programs eligible homeowners were able to temporarily pause mortgage payments through forbearance programs, and homeowners in default were able to take advantage of a variety of new loss mitigation programs.

Federal investments made through the American Rescue Plan Act of 2021 (ARPA) are also playing an important role helping Rhode Island recover from the effects of the pandemic and address some of the underlying issues that have exacerbated our housing affordability challenges. Over the past two years Governor McKee and the leadership of the Rhode Island General Assembly have invested \$321.5 million of the state's \$1.13 billion allocation of State and Local Fiscal Recovery Funds (SLFRF) (28%) to fund housing and homeless programs. That is one of the highest proportions of state SLFRF allocations in the country dedicated to addressing these important issues. RIHousing is administering just over \$206 million of these resources, primarily to finance the development and preservation of affordable housing and to provide down payment assistance to first time homebuyers. The Department of Housing is administering the bulk of the remaining resources which are primarily focused on addressing the needs of homeless Rhode Islanders.

Of the funding being administered by RIHousing, \$30 million in SLFRF funding has been dedicated to providing first-time homebuyers with \$17,500 in downpayment assistance. At a time of rapidly increasing housing prices and rising interest rates, this assistance has made homeownership possible for almost 1,500 first-time homebuyers in Rhode Island, of which 51% were minority borrowers.

¹³ State of Rhode Island Judiciary, District Court Evictions Records, January 1, 2024.

\$140 million in SLFRF funding has been dedicated to housing development and an additional \$35 million is being used to purchase properties for future development as affordable housing and financing predevelopment work for proposed affordable developments. Together these resources are creating and moving forward the implementation of a new pipeline of affordable housing in the state. To date, over \$100 million has been committed for the development or preservation of over 1,700 residential units of which 1,406 will be affordable. Another \$32 million is supporting site acquisition and predevelopment activities for 62 proposed affordable developments.

These new development resources have been particularly impactful because they have allowed us to better leverage other resources, magnifying the impact of that investment. The most important affordable housing financing tool we have is the federal Low Income Housing Tax Credit (LIHTC). Like every state, Rhode Island receives a limited amount of 9% Housing Credits which are extremely competitive and can generally finance about three affordable developments per year. Just over \$3 million in 9% Housing Credits can leverage over \$28 million in private equity investment in these developments. We can also access 4% Housing Credits generating through tax exempt bond financing. 4% Credits offer a shallower subsidy, so developments utilizing this resource generally require significantly more gap financing which has been a real barrier to maximizing the utilization of bonds and 4% credits in our state. With these new SLFRF resources we have been able to significantly expand utilization of the 4% Housing Credit in particular, and to utilize it for new housing production whereas historically this financing has been largely limited to financing the preservation of existing affordable housing. From 2015-2022 we were closing approximately 6 LIHTC financed developments per year. Last year we gave preliminary approval to 15 LIHTC financed developments. I want to note that these investments were only possible as a result of the guidance provided by the U.S. Treasury Department on how ARPA funding could be utilized in LIHTC transactions, guidance that was heavily influenced by the LIFELINE Act that was introduced in 2022 and cosponsored by several members of the Committee. We appreciate your support for that important legislation.

In addition to the LIHTC program, the federal government's ongoing investments in more traditional affordable housing development financing programs like HOME, the National Housing Trust Fund (NHT) and the Capital Magnet Fund have been critical. Each of these programs play a role in filling financing gaps, particularly for projects serving the lowest income households. ARPA also provided \$5 billion for a new federal homelessness assistance and supportive services program: HOME for Homelessness Assistance and Supportive Services (HOME-ARP). RIHousing is administering \$13.5 million in HOME-ARP funds and has already allocated \$2 million to support the development of a new 72-unit affordable development which will include 16 units affordable to households earning 30% of AMI who are homeless or at risk of homelessness.

Equally important as development financing has been the essential role the federal government has played bridging the gap between the cost to operate housing and the rent that low-income and very low-income households can afford to pay. The Housing Choice Voucher Program (HCVP) and other rental assistance voucher programs along with operating support programs like Project Based Section 8 have made it possible for our most vulnerable renters to access housing they can afford. RIHousing administers about 1,500 HCVP vouchers annually as well as 117 Emergency Housing Vouchers funded through ARPA. We have also recently been awarded \$350,000 for 38 Family

Unification Program (FUP) Vouchers to subsidize housing costs for families and youth involved in the foster care system, and have received preliminary approval from HUD for 25 HUD-Veterans Affairs Supportive Housing (VASH) vouchers targeted to homeless veterans. It is simply not possible for the market to meet the housing needs of our lowest-income households, and even affordable developments are unable to serve households earning less than 30%AMI without operating support or rental assistance vouchers. These programs are providing that critical subsidy.

Federal resources are also playing an important role in helping address the growing number of Rhode Islanders who are homeless or at risk of homelessness due to the extraordinary increases in housing costs we are seeing, combined with a severe housing shortage. Over \$69 million in SLFRF funds have been specifically targeted to meeting the needs of homeless Rhode Islanders by funding services and supports, emergency shelter and financing the development of permanent supportive housing. These resources are being administered by the state's Department of Housing.

Need for Increased Federal Investment and Support

The investments that Congress has made in housing and homeless programs have been vital to helping states increase the supply of affordable housing and increasing access to affordable housing for our most vulnerable populations. But the continued escalation in housing prices and the housing affordability crisis facing a growing number of renters and homeowners is proof that more needs to be done. There are several steps in particular that the federal government could take to address housing affordability challenges.

1. **Increase appropriations for housing production and preservation.** Affordable housing development financing programs like HOME, NHT and the Capital Magnet Fund have never been more important. Inflation, supply chain issues, increasing land costs and labor shortages have all contributed to significant increases in the cost of housing development. In just the past 4 years the cost to develop affordable housing in Rhode Island has increased by about 30%. We are seeing many projects that received financing in earlier funding cycles returning to close financing gaps caused by increased costs. That means we need significantly more subsidy to produce the same number of affordable units, and we need to be producing more affordable units. Meanwhile, federal investments have not been keeping pace with increased costs. From FY2010-FY2021 HOME funding decreased by 42% in inflation adjusted dollars. Rhode Island's allocation decreased by 49%¹⁴. We cannot increase development of affordable housing without an increased federal investment through programs like these and through the LIHTC which is discussed in more detail below.
2. **Increase appropriations for rental assistance vouchers and operating support for affordable housing.** Like the cost of developing housing, the cost of renting and operating housing has risen significantly in recent years. At a minimum Congress must provide adequate funding to support existing project and tenant-based rental assistance contracts. However, to make headway in reducing the number of housing cost burdened extremely low-income households, increased investment is needed in these critical programs.

¹⁴ "2023 National Population Tables: Main Series," U.S. Census Bureau.
<https://www.census.gov/data/tables/2023/demo/popproj/2023-summary-tables.html>.

3. **Restore funding for the Section 202 and Section 811 programs.** These two programs have historically played an important role financing the production of affordable housing serving very low-income seniors (202 program) and persons with disabilities (811 program). Because of the very low incomes and special needs of the populations served by this housing, the programs included both capital funding and long-term operating support for assisted developments. Funding for both programs has declined significantly over time. The number of Americans ages 65 and older is projected to increase from 58 million in 2022 to 82 million by 2050 (a 47% increase). The Section 202 and Section 811 programs offer a proven model for meeting the housing needs of these populations and funding for these programs should be restored.
4. **Pass the Affordable Housing Credit Improvement Act (AHCIA).** One of the most important steps Congress can take to increase the supply of affordable housing is to pass the AHCIA. The LIHTC program is already the most powerful tool we have to produce and preserve affordable rental housing. This bill builds on that strong foundation by significantly increasing Housing Credit allocation authority for 9% Housing Credits, reducing the amount of tax-exempt bond funding required to access 4% Housing Credits from 50% of the development cost to 25% and making other important improvements to the program. Up to 4,500 additional affordable homes could be financed in Rhode Island by the primary unit financing provisions in the AHCIA and we strongly support passage of this important legislation¹⁵. More immediately, I know Congress is currently considering a tax package that includes several important elements of the AHCIA. RIHousing strongly supports these provisions and urges Congress to act quickly to adopt this package.
5. **Permanently extend the Federal Financing Bank (FFB) HUD Risk-Sharing Initiative.** RIHousing relies on a variety of federal tools to finance the production and preservation of affordable apartments. One of those tools is HUD's Risk-Sharing program which provides mortgage insurance for affordable housing developments financed by Housing Finance Agencies like RIHousing. In 2014, a new tool was made available that combined HUD's Risk Sharing mortgage insurance with low-cost financing provided through Treasury's Federal Financing Bank (FFB). That program lapsed in 2018. The Administration temporarily resumed the initiative in 2021 with the goal of transitioning over to a permanent financing program through Ginnie Mae by 2026. RIHousing has utilized over \$319 million through the FFB Risk-Sharing Initiative to finance the production or preservation of over 3,200 affordable apartments. This program has been a very effective tool in Rhode Island and in other states that are utilizing the program, and we urge Congress to make it permanent.

Thank you again for dedicating this hearing to the important housing affordability challenges facing our country. I am honored to have had this opportunity to testify before the Committee and to share RIHousing's experiences.

¹⁵ "Rhode Island Housing Credit State Fact Sheet," ACTION Campaign, accessed January 23, 2024. , <https://rentalhousingaction.org/rhode-island/>