

Issue Brief



The \$50 Million Housing Bond Passed: What Now?

On Election Day 2006, Question 9—the affordable housing bond—was approved by more than 66% of Rhode Islanders. The bond received the support of the majority of voters in every city and town in the state. Support cut across urban, suburban, and rural boundaries—from 82% support in Providence to 65% in Barrington and 59% in Burrillville.

Why did voters support Question 9?

Rhode Island faces an affordable housing crisis. The price of an average home in Rhode Island has more than doubled since 2000; during the same period, household income has increased less than 25%. Today, the median household income, about \$50,000, will not buy the median-priced home in any of Rhode Island's 39 cities and towns.

And the situation isn't any better for renters. In 2006, the average two-bedroom apartment rented for \$1,172. A household needs to earn \$47,000 to afford that rent—meaning that many hourly workers, young families just starting out, and seniors can't rent a decent place to live.

The result? People can't live in the communities where they work. Recent graduates and Rhode Island natives are leaving the state. Young families can't save enough for a down payment on their first home. Record numbers of Rhode Islanders are homeless. And local employers say the high cost of housing makes it difficult for them to retain and recruit workers.

How will the housing bond help?

The affordable housing bond that Rhode Islanders resoundingly approved in November 2006 will provide \$50 million over four years to create affordable apartments and starter homes. It will primarily help people making between \$30,000 and \$60,000 a year buy or rent a home in Rhode Island. Bond funds will complement existing state programs that target lower-income Rhode Islanders.

The \$50 million will help build new homes and convert abandoned houses, mills, and other buildings into housing. All told, the bond funding is expected to generate an additional \$450 million in funding from private investors, the federal government, and other sources—resulting in the creation of more than 1,000 new affordable homes.

Housing prices have jumped. Incomes haven't.



- ▲ Median single family sales price
- Income needed
- Median household income

Sources: US Census, American Community Survey, RI Living

The state Housing Resources Commission (HRC) will award \$12.5 million annually for the next four years (2007–2010) through a competitive process that will fund the best proposals. The homes created will be:

- **affordable by law for at least 30 years** (in many cases, they will be made permanently affordable), and
- **consistent with state and local housing and land use plans**, ensuring that the homes will fit the character of the community.

What's the status of the housing bond?

Since Election Day, the HRC has drafted regulations and a funding application for the bond program, now called Building Homes Rhode Island. These regulations, now being revised based on public comment, cover the allocation of funds, competitive proposal process, and program requirements, among other topics.

Allocation of funds

For what: 20% of the \$50 million must be used for homeownership units, and 80% for rental

Who can apply: nonprofit community development corporations, for-profit developers, cities and towns, public housing authorities, and redevelopment agencies

How much: up to \$40,000 for one-bedroom homes, \$50,000 for two-bedroom homes, and \$65,000 for homes with three or more bedrooms

Competitive proposal process

At least one request for proposals will be issued each year by the HRC. Proposals will be reviewed by a committee according to criteria including:

- financial feasibility;
- capacity to complete the project;
- a documented plan to proceed with construction within six months of funding;
- consistency with all relevant local and state regulations and plans, including the Strategic Housing Plan and Local Affordable Housing Plans; and
- documentation that any plans for properties of historical significance have been reviewed by the Historic Preservation Commission.

Funding priorities

The proposed regulations indicate that priority will be given to funding proposals that:

- make the most efficient use of funding—generating the most housing for the lowest-income families for the fewest public dollars;
- demonstrate sound project location, siting, and design plans;
- leverage additional financing;
- maximize long-term affordability (minimum of 30 years);
- address documented critical housing needs;
- incorporate mixed-income housing;
- are located in areas that promote smart growth rather than sprawl;
- promote a geographic diversity of housing and assist communities in meeting their housing goals; and
- are collaborative efforts.

To review the proposed regulations in full, visit the HRC website at www.hrc.ri.gov and click on “draft regulations” under the Rhode Island Building Homes Program header.

What's next for the housing bond?

Initial implementation of the affordable housing bond is proceeding on a tight timeline:

March 2007

HRC regulations will be approved, and the competitive, open funding application process will begin.

June 2007

The Governor and the General Assembly will approve the first year's installment of \$12.5 million as part of the state budget process.

July 2007

The first round of funding will be awarded to winning applicants.

HousingWorks RI is committed to working with local officials, developers, and other partners to overcome challenges to the development of affordable homes. Much work remains to be done, but there is no doubt that timely implementation of the housing bond will hasten the day when all Rhode Islanders can afford a quality home.

NEXT ISSUE BRIEF (April 2007) > Supportive Housing: innovative efforts to end homelessness in Rhode Island