

**Minutes of the Legislative Committee
February 26, 2010**

The Legislative Committee of the Board of Commissioners of Rhode Island Housing met on February 26, 2010 at 2 P.M. at the offices of Rhode Island Housing. In attendance were committee members Denise Barge, Perry Clough, and Mark Noble. Also in attendance was Jessica Paden, designee for General Treasurer Frank Caprio. Staff attending were Richard Godfrey, Susan Bodington, Amy Rainone, and Jessica Buhler.

The Legislative Committee of the Board recommends to the full Board the adoption of the following positions on the broad policy areas outlined below. The Committee may need to meet again as new bill introductions are posted to analyze individual pieces of legislation that address these policy areas and any other bills that may impact the agency.

I. Rhode Island Housing

In the fall of 2009 Rhode Island Housing was asked to present a complete overview of the agency's operations to the House Separation of Powers Committee. Two hearings have been completed so far and more hearings are expected. Questions raised by Committee members included questions about our scope of work, how Rhode Island Housing's programs impact for-profit lenders, and the agency's policies for hiring local Rhode Island based contractors and vendors.

The hearings have provided an opportunity to better educate members of the Committee and others about the role we play and the programs and services we provide. We anticipate that these hearings may result in legislation to restrict, support or modify Rhode Island Housing's activities. One bill has already been introduced which would significantly impact Rhode Island Housing's operations by making Rhode Island Housing "the lender of last resort" (*see H7058 below*).

Another bill that relates directly to Rhode Island Housing was introduced last year and may be reintroduced this session. The bill would provide that the appointment of the Executive Director of Rhode Island Housing would be for a term of 3 years and would be subject to the advice and consent of the Senate.

Recommendation: Oppose the bills mentioned above and monitor other bills that may be forthcoming to ensure that they do not negatively impact Rhode Island Housing's ability to fulfill its mission in a fiscally responsible manner. Rhode Island Housing may also make recommendations to the Separation of Powers Committee on areas that may further support our ability to carry out our mission and better serve our customers.

Update:

H7058 (Pollard) Introduced in House. Hearing scheduled, then postponed at Sponsor's request. The bill states that "the corporation (Rhode Island Housing) shall serve as the lender of last resort..." and, "shall not compete directly or indirectly with lenders in the open market as the corporation shall serve as the lender of last resort." The bill provides civil penalties and a fine of \$5000 for each violation.

II. Foreclosure/Tax Liens

➤ **Madeline Walker Act:**

The Madeline Walker Act of 2006 was named after an 81-year-old Providence woman who was evicted from her home in December 2005 because she had unknowingly failed to pay a sewer bill of \$496. Under the law – effective January 1, 2007 – cities, towns, and other taxing authorities are required to notify Rhode Island Housing of delinquent liens prior to tax sale, and Rhode Island Housing is given a right of first refusal to purchase the lien on any owner-occupied 1-3 unit property. Under the statute, Rhode Island Housing may not file a petition for foreclosure of redemption for the tax liens it acquires for five years, as opposed to the one year redemption period allowed for all other purchasers of tax liens. The five-year redemption period is a major disincentive for Rhode Island Housing to purchase tax liens and has been particularly problematic when properties whose liens we have purchased end up being foreclosed upon or abandoned by their owners.

Recommendation: Support legislation reintroduced from last year that amends the statute to allow Rhode Island Housing to foreclose the right of redemption on our lien after one year for foreclosed and abandoned properties and two years for all others, instead of the current five years. The bill also clarifies that municipalities may submit tax lien information to Rhode Island Housing electronically. This legislation is identical to the Sub A of a bill that passed the Senate last year but failed to move through the House.

Update:

H7276 (Almeida) Introduced in House.

S2679 (Metts) Introduced in Senate.

➤ **Foreclosure Prevention/Tenant Protections:**

Last year Rhode Island Housing continued to play a role in supporting legislation that would implement added protections for tenants in foreclosed properties. This legislation was not passed by the General Assembly.

Rhode Island Housing also worked with other lenders and the advocacy community on legislation that did pass and requires foreclosing lenders to provide notice to

homeowners who are delinquent on their mortgage about free foreclosure counseling services that are available to them.

Some advocacy groups may continue to push for deeper foreclosure protections this year that could include the establishment of a landlord/tenant relationship between the foreclosing lender and the existing tenant and bills that institute judicial foreclosure in Rhode Island.

Additional bills relating to foreclosure issues will most likely be introduced, including bills regarding requirements for servicers to communicate with mortgagors and seek modifications when possible, imposing a foreclosure moratorium, state preemption of municipal foreclosure ordinances, mortgage fraud, and foreclosed property maintenance.

Recommendation: Rhode Island Housing will monitor and provide information and technical support for bills to reduce foreclosures and help tenants and owners stay in their homes.

Update:

H7045 (Edwards) Introduced in House.

This bill would prevent eviction of tenants in foreclosed properties until purchase by non-financial institution.

H7191 (Almeida) Introduced in House.

This bill would require notice to tenants of properties that are being foreclosed upon.

H7192 (Almeida) Introduced in House.

This bill would establish monthly tenancy for tenants in foreclosed properties.

S2218 (Metts) Introduced in Senate.

This bill would require mortgagees to file foreclosure notice with city or town and appoint an agent for service in Rhode Island.

S2296 (Pichardo) Introduced in Senate.

This bill would establish a "Foreclosure Registry" within Rhode Island Housing in conjunction with the Housing Resource Commission.

S2321 (Levesque) Introduced in Senate.

This bill would impose an immediate 180 day moratorium on foreclosures and actions for evictions of tenants of foreclosed property.

S2585 (Pichardo) Introduced in Senate and *H7878 (Almeida)* Introduced in House.

This bill would require any mortgagee who is commencing foreclosure proceedings on owner-occupied residential property to certify that a "good faith effort" was made by the lender to help the homeowner stay in their home. Establishes a "conciliation

conference” similar to the process established through ordinances in Providence and Cranston. Introduced at the request of the City of Providence.

S2586 (Pichardo) Introduced in Senate.

This bill would require any successor in interest to a foreclosed mortgagor to meet certain notification requirements prior to evicting a tenant legally occupying a foreclosed property.

III. Funding for Housing Programs

➤ **Neighborhood Opportunities Program (NOP):**

The FY10 budget included \$2.5 million for the Neighborhood Opportunities Program for operational support. Funding for the Neighborhood Opportunities Program is crucial to support the development of housing affordable for our most vulnerable residents. The Governor has not included funding for NOP in the FY11 budget.

Recommendation: Support funding at a minimum of \$2.5 million for FY11.

Update:

NOP not funded in Governors Proposed FY11 budget.

H7730_(Pacheco) Introduced in House.

This bill would establish and fund the Neighborhood Opportunities Program to address the housing and revitalization needs of the state’s deteriorating neighborhoods and fund the program at \$10 million for FY11.

➤ **Building Homes RI:**

The first \$37.5 million in housing bond funds has been awarded. Current law calls for the final \$12.5 million of the \$50 million bond to be released this year. This is included in the Governor’s FY11 recommended budget.

Recommendation: Support release of \$12.5 million in FY10 and FY11. Participate in the HousingWorksRI coordinated evaluation of the best approach for continued funding for BHRI.

➤ **Level fund the Housing Resources Commission (HRC):**

Funding for HRC includes funding for the State Lead Hazard Reduction Program and for critical homeless programs like Housing First and First Step. The HRC was level funded in the Governor’s recommended FY11 budget.

Recommendation: Support level funding for HRC programs.

Update:

HRC is level funded in Governor's Proposed FY11 budget.

➤ **State property sales and development (\$6.2m purchase):**

As a means to close the budget gap in the FY10 Supplemental Budget the Governor proposes selling \$6.2 million in state land ("Old Training School") to Rhode Island Housing, or another entity.

Recommendation: Monitor and provide information as needed.

IV. Development

➤ **Comprehensive Planning Act Amendments:**

The Department of Planning is recommending changes to the Comprehensive Planning and Land Use Act to make it consistent with the more recently adopted Rhode Island State Land Use Policy and Plan (Land Use 2025) and other planning and land use policies.

Recommendation: Support and provide information as needed.

Update:

S2678 (Blais) Introduced in Senate.

➤ **Low and Moderate Income Housing Act Amendments:**

Legislation that expands the definition of "low and moderate income housing" that can be included in determining if municipalities have met the 10% low and moderate housing goal will be introduced again this year. Last year the Low and Moderate Income Housing Act Oversight Commission was reestablished as a means to bring all parties together to evaluate if changes to the Act are needed. Members of the Oversight Commission include Rhode Island Housing and representatives from municipalities and housing advocacy groups.

Recommendation: Transfer all related legislation to the Oversight Commission for review.

Update:

H7326 (Lally) Introduced in House and *S2292 (Sheehan)* Introduced in Senate.

This bill would expand the definition of low and moderate-income housing to include units which utilize the HUD Section 8 voucher program and units that are low cost and have at least 8 month leases.

H7530 (Newberry) Introduced in House.

This bill would relieve those towns and cities which have not prepared a comprehensive plan housing element for low and moderate income housing by December 31, 2004, from the state mandated requirement to do so.

➤ **Green Building/Renewable Energy:**

Legislation may be introduced that requires higher green building and energy efficiency standards or creates new programs for individuals and agencies to increase “green” efforts.

Recommendation: Rhode Island Housing will monitor bills that may impact the financial feasibility of affordable housing developments or may offer greater opportunities to build “green.” This will include participating in discussions regarding regulations currently being drafted to change the state’s building codes to meet the 2009 IECC Standards. Oppose or modify legislation that holds affordable housing to a higher standard than other developments.

Update:

H7738 (Handy) Introduced in House.

This bill would allow Rhode Island Housing to establish a loan program for the funding of low and medium-level energy retrofitting in owner occupied properties.

H7720 (Handy) Introduced in House.

This bill would require all publicly funded buildings to be constructed or renovated to meet Green Building requirements and provide for a revolving loan program for energy improvements.

➤ **Prevailing Wage Requirements:**

Over the last few years legislation has been regularly introduced to expand the scope of state prevailing wage requirements. Some versions of this legislation would have required that any property assisted under any Rhode Island Housing program would have to be undertaken at prevailing wage.

Recommendation: Monitor bill action. Oppose changes to prevailing wage requirements which would significantly increase the cost of developing affordable housing.

V. Other

➤ **Global Medicaid Waiver/Assisted Living:**

Two years ago the Department of Human Services (DHS) initiated an effort to transform the state's Medicaid system by applying for a "Global Waiver" through the federal government. Rhode Island Housing was successful in gaining protections for the assisted living facilities that were funded and made affordable through the use of Rhode Island Housing's Assisted Living Waiver Program.

DHS is currently considering a proposal that would significantly reduce the rates paid to the developments participating in the Rhode Island Housing Assisted Living Program. Legislation may be introduced to implement these changes or to protect the facilities that receive funding through this waiver program from a funding reduction.

Recommendation: Support increased rates for the Rhode Island Housing Assisted Living Program facilities.

➤ **Charitable Donations:**

Legislation has been introduced that would prohibit quasi-public corporations of the state from making charitable donations or grants.

Recommendation: Amend this bill to tighten the definition of a grant to ensure that it does not impact the broad range of programs we administer in keeping with our mission.

Update:

H7148 (Costantino) Scheduled for a hearing and held for further study.

➤ **Consultants:**

Legislation has been introduced that would prohibit the hiring of consultants by state departments, agencies, public corporations, quasi-public corporations or entities.

Recommendation: Oppose.

Update: *H7558 (Giannini)* Introduced in House.