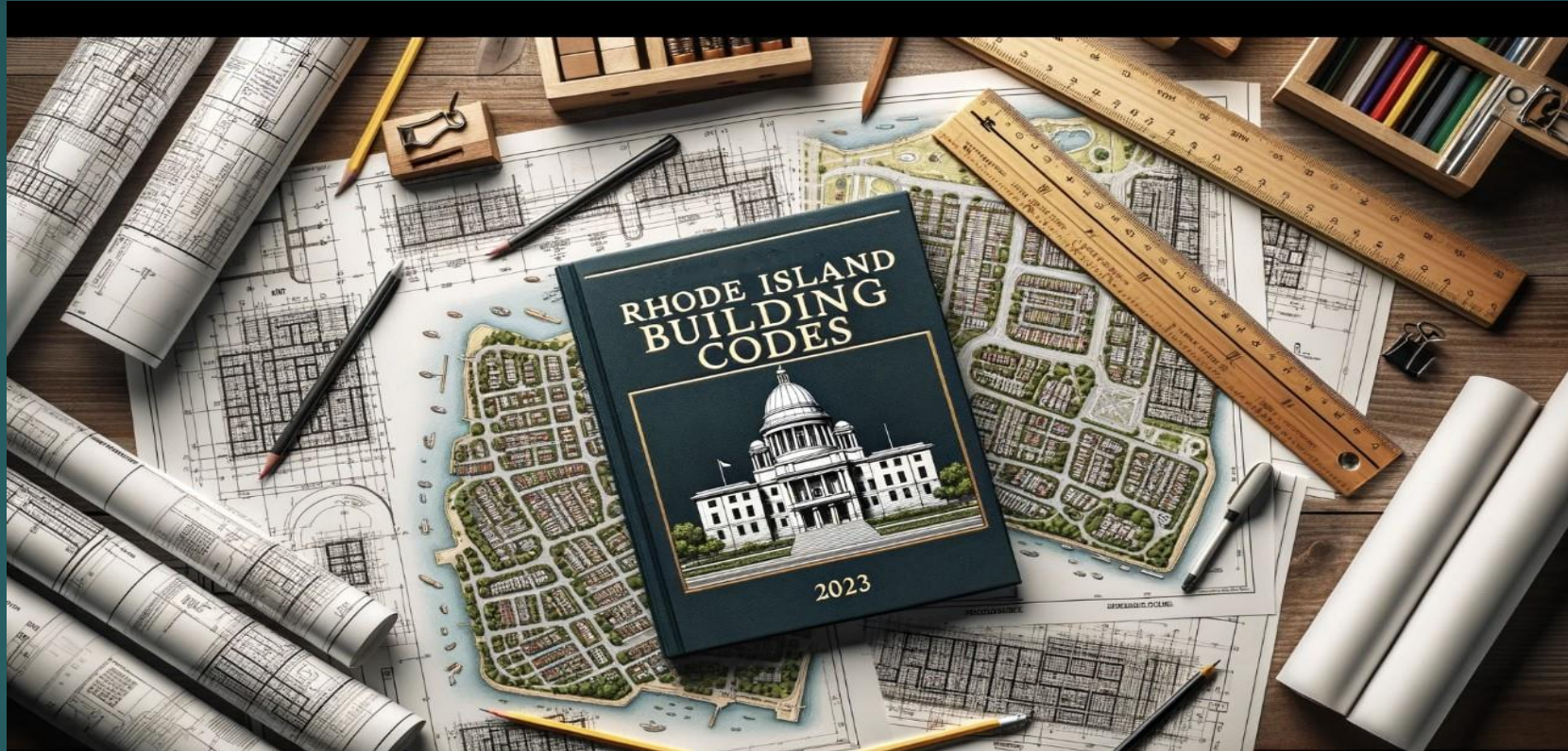


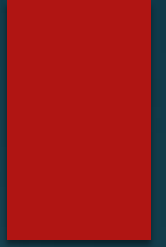
Presentation to Special Legislative Commission to Study Housing Affordability



BUILDING CODE COMMISSIONER JAMES CAMBIO

OCTOBER 19, 2023

Construction Costs:



Construction costs are influenced by a number of interconnected factors;

It's often a combination of these, rather than any single factor, that results in higher costs in a particular region;

Factors Influencing Construction Costs

- ▶ Land & Labor Costs
- ▶ Materials & Supply Chain Dynamics
- ▶ Land Use & Local Preferences
- ▶ Historic Preservation
- ▶ Environmental Regulatory Concerns
- ▶ Building Code Regulations

Land & Labor Costs

- ▶ Rhode Island is the most expensive state in the country when it comes to buildable land for housing at \$203,596 per acre;
- ▶ This high cost per acre, coupled with zoning requirements, adds a significant cost to a construction project;
- ▶ Builders are constrained by the supply of available lots coupled with the cost of land in areas where new projects may be viable;
- ▶ Despite competitive pay, the home building industry continues to experience labor shortages, which impacts housing affordability;
- ▶ Regions with limited skilled workers in the construction trades experience higher labor costs;
- ▶ Areas with a strong union presence might have higher labor costs due to union wages and benefits. While unions can lead to increased labor costs, they also often ensure higher quality work and safety standards;

Materials & Supply Chain Dynamics

- ▶ Fluctuations in the costs of building materials, particularly those of framing lumber, contribute significantly to home prices and housing affordability levels;
- ▶ Limited supplies of softwood lumber, steel, aluminum and other imported materials and equipment exacerbate price volatility and drive up housing costs;
- ▶ Rising fuel costs contribute to the increase in construction supply costs;
- ▶ Construction delays are experienced, as the supply of materials remains unpredictable;

Land Use and Local Preferences



- ▶ Land-use regulations limit the availability of developable land and place restrictions on the number of housing units that can be built on a particular parcel;
- ▶ Lengthy approval timelines can greatly increase the cost of development as this unpredictable process ties up builders' capital and accumulates interest expenses, as well as other carrying costs;
- ▶ Most builders work in multiple municipalities, each typically with different processes and requirements;
- ▶ Impact fees assessed on development also add directly to the cost of housing;

Environmental Concerns

- ▶ Environmental regulations that restrict the supply of land lead to an increase in developer expenses and create costly delays in the process;
- ▶ Common environmental regulations that restrict the supply of land:
 - ▶ Wetland set-backs
 - ▶ Storm water management
 - ▶ Endangered species protection
 - ▶ Coastal resources

Historic Preservation

- ▶ Historic preservation requirements can also complicate efforts to develop or restore affordable housing;
- ▶ Developers are subject to an additional layer of regulation that can be quite rigid adding to the costs of building new or rehabilitating existing housing;
- ▶ Repair rather than replacement of a structure's original components and fidelity to the original materials and craftsmanship, inevitably add to the cost of the project;
- ▶ Programs to help defray preservation costs, usually through the use of tax incentives, assist with construction costs

Building Code Regulations

- ▶ While building codes ultimately impact the cost of a construction project, their primary intent is to protect public health and safety;
- ▶ Rhode Island, along with all other states across the country, adopt the International Code Council's (ICC) Model Codes for this purpose;
- ▶ The Codes with local state amendments address all aspects of single- and two-family as well as multifamily construction:
 - ▶ structural elements, electrical, plumbing, heating, ventilation and air conditioning systems, and energy conservation requirements;
 - ▶ requirements that increase wind, snow and hurricane related upgrades to protect against natural disasters

Developing Efficiencies in Statewide Permitting

- ▶ Establish a dedicated full-time building official in each Rhode Island municipality for timely plan review and permitting;
- ▶ Develop a structure that enables uniformity in code interpretation and enforcement across all municipalities under the direction of the State Building Code Commissioner;
- ▶ Continuing building upon the e-permitting platform to include a uniform planning and zoning approval process;

Manufactured Housing – A Viable Option

- ▶ Significantly evolved in appearance, design and quality;
- ▶ Factory built;
- ▶ Addresses a critical need across the entire country ranging from 1st time home buyers to developers;
- ▶ Provide a safe & affordable option for vulnerable populations;
- ▶ A national regulatory framework that supports production & placement in all 50 states;