



April 2, 2025

The Honorable Stephen Casey
Chair, House Committee on Municipal Government and Housing
Rhode Island State House
Providence, RI 02903

Re: **H 5956** – Act Relating to State Affairs and Government -RI Housing Resources Act of 1998

Dear Chair Casey and Members of the Committee;

My name is Carla DeStefano. I am the Executive Director of SWAP, Inc (Stop Wasting Abandoned Property) a not-for-profit community development corporation celebrating its 50th anniversary this year. I also am appearing here today as a member of the RI Builders Association Board of Directors and the Chair of the Barrington Affordable Housing Trust. I am also the daughter of a builder, the sister of a land use atty and the wife of an affordable housing Bond atty and expert. Prior to coming to SWAP, I worked in construction and for – profit residential development.

I have been in this field for my entire life.

For 50 years SWAP has been a leader in building homes for sale to buyers considered to be low income. We are also a Founding Member of the Housing Network of Rhode Island. Over 1,500 homes have been renovated or built during our history.

Over the past twenty years SWAP has built and sold nearly 200 homes in South Providence. All have required some amount of government subsidy for low-income buyers at or below 80% AMI to be able to afford them. A family of four currently earning \$89,000 / year. As prices have increased to buy land and build houses the amount of subsidy has increased significantly especially over the past 3 years.

For some reason, many people think affordable housing should cost less to build and therefore should be able to sell for less. **A misnomer for sure.** The houses we build are the very same houses for – profits build. Same land, same concrete, same 2X4's and the same drywall etc. and ALL the same building codes apply to what we build. And, we work with the same OH/P margins that are standard in the NAHB nationally and locally at around 11%.

The only way we can sell for less – is by using government subsidy as a grant to write down the cost of the construction. Even just 10 years ago we could do this with about \$100,000 in subsidy per house. The very same house today needs \$215,000 in subsidy grants to sell to an 80% AMI buyer.

Prices continue to climb for land and materials. Tariffs will hit us very hard.

Washington is slashing programs everywhere including at HUD. It is only a matter of time before HUD funding to build homes for sale is simply gone.

Why is SWAP Supporting H 5956?

Because we want to continue our mission of building for low-income buyers and to do so will continue to require more and more subsidy.

What will H 5956 do to help?

Increasing the production of moderately priced homes without subsidy

As a member of RIBA, I have been advocating for more of the members to consider building more moderately priced homes. I even offered to help member navigate the world of using government subsidies to do so.

A year ago, for – profit RIBA member builder came to SWAP to ask for help with a development in a suburban community. The builder wanted to include some 80 and 100% AMI homes in the development so that Police/ Fire and School teachers could live in the Town they work. We looked at his proforma budgets and went to work.

At the 30% Gross Income Pricing of the Homes, there was more than a \$1M GAP.

A NO GO is what that said about this development. Instead of giving up, I started to look at the house pricing / the AMI and the budget numbers.

Reminder here – the RI Law allows for builders to take credit for houses priced to 120% AMI. This builder wanted to do better.

We priced the houses at 38% using Standard Mortgage Underwriting Guidelines - the GAP of \$1M all but disappeared. Except – the LAW did not allow this to happen.

H- 5956 – will allow builders to “self – subsidized” to fill these GAPS and not use scarce subsidy.

Another Example: Can't give money away

As the Chair of the Barrington Affordable Housing Trust, we were gifted with a substantial amount of money to targeted to assisting first time Barrington home buyers a chance purchase a home. Initially, the funds were meant to follow the Town's Comp Plan to increase the number of deed restricted affordable homes in the Town.

Using the 30% of Gross Income formula to price a home – newly built or in this case, existing home – did not come close to what houses sell for in Barrington. Our Trust committee went to the Town Council to request a waiver from compliance with the State Law to allow us to move to 38% of gross income pricing. Moving this number to 38% opened the door to some availability of homes for sale. Because the funds are private, Town legal Council has opined that we can use this approach. We will preserve some affordable units in Town under our own Deed restrictions.

SUMMARY

The Legislature, over the last three sessions, has created multiple new approaches with targeted new laws to increase the amount of housing development in all rural, suburban and urban communities. But there is still more that can be done to provide additional “tools to the box” strategies to increase housing production.

House Bill 5956 WILL:

- **Align with national mortgage guaranty underwriting standards. The basis of most mortgages in the country at 36 – 42% of Gross Income is the norm.**
- **Increase the value of the homeownership portion of the Housing Bond by 25% with simple math – from 30% to 38% is 25%.**
- **More Bond funds will be available for homes for buyers at lower income where subsidy is required for affordability.**
- **Permit flexible pricing in place of the mandated pricing in place now which will.**
- **Encourage builders to build moderate priced homes for sale in density bonus developments.**

House Bill 5956 WILL NOT:

- **Force any non- profit or for - profit developer / builder to price homes at the maximum.**
- **Change the 30% Of Gross Income Factor for Rental Housing**

This change is Permissive – It is not Mandatory

Rhode Island needs more housing.

Rhode Island needs more moderately priced homes for sale. No one talks about needing more million-dollar homes.

What we have been doing so far has netted us the distinction of having the lowest number of building permits in the country in some national data bases.

Time to rattle the status quo.

Thank you for listening.

**Sincerely,
SWAP, Inc.**

**Carla DeStefano
Executive Director**

