

Notes on a Holistic Approach to Affordable Housing

1. a. Mandate that, on a statewide basis, residential construction in commercial zones is allowed as a matter of right and promote the rebuilding of 1-story retail buildings into 3- or 4-story mixed use structures. Rhode Island's biggest barrier to creating affordable homes is the lack of developable land and desire to preserve natural lands in our small, environmentally sensitive and already densely populated state. To meet the state's housing supply requires a paradigm-shifting strategy. We should promote the redevelopment of existing 1-story retail establishments into mixed use and require that all new retail construction includes dwellings above. State law should allow 3-story mixed use construction as a matter of right in commercial zones and allow the same parking spaces to be counted toward both retail and residential requirements. Building codes can address safety issues and prevent the combination of residential and hazardous uses but most commercial property can safely accommodate mixed use. Mixed commercial and residential uses were the historic development pattern and is still the most effective and efficient design for neighborhood commercial uses. It is also a highly successful private development model in other states.

b. Existing infrastructure, especially water and sewer, may not be sufficient to support the reimagined mix of uses. Local communities should not have to absorb these growth costs on their own and it is likely more effective to address these capacity issues on statewide basis. The state should evaluate its overall infrastructure capacity in terms of its projected future economy, population and the good homes it needs and will need based on changing demographics

2. Increase financial support for non-profit community development organizations.

Some affordable housing programs generate significant profits for developers and are scooped up by for-profit entities, leaving non-profits to do the projects that serve the most challenging populations, are in the most challenging locations, take the longest to complete and/or, barely cover costs. Rhode Island has seen several non-profit housing organizations disappear or be absorbed by others including but not limited to Greater Elmwood Neighborhood Services, REACH and Advent House. Others struggle to stay viable and without the federally funded Neighborworks Reinvestment Program others would likely fold. Rhode Island's philanthropic sector is extremely limited and is frequently oversubscribed with funding requests. The CDC's need operating support along with user-friendly and forgivable pre-development and land bank loans to help them provide the homes that are the hardest to create and of most benefit to the community. Because the hardest and most beneficial projects often need more time to obtain approvals and assemble multiple layers of financing, pre-development and landbank loans need to be open ended and interest free and cover 100% of the acquisition cost. Community planning grants would also be an important way to increase community input, give funders broader

context and possibly reduce opposition to important but potentially controversial affordable homes. Although some may see a large number of non-profits to be unsustainable, having a reduced number means that several communities will be underserved.

3. a. Implementing a Holistic and Equitable Smart Growth Policy for All State Development activities. Our small state needs a broad-based strategy rather than addressing its challenges in silos. In pressing for greater economic development, many places, states and municipalities, ignore the impact of that growth on housing and, conversely, the lack of affordable housing on economic progress. Ironically, some of the most economically booming areas of the past 20 years, like San Francisco and Seattle, have the greatest challenges with people who have no homes.

Rhode Island is the second most densely populated state, behind New Jersey. If we want to preserve what is left of our farmlands, forests, fields and wetlands, while creating a meaningful increase in homes that are affordable for a range of incomes, we need to apply equitable Smart Growth principals to redevelop previously used, presently under-utilized and economically outdated properties in a more efficient and sustainable strategy.

b. Require Housing Impact (or equitable Smart Growth) studies for all state development and maximize the holistic use of prime state property. Many state agencies including the I-195 Commission, the Department of Administration and Quonset are so focused on completing their direct mission that they do not consider the fact they are contributing to the housing affordability crisis by consuming very limited land development options and adding jobs without homes for the workforce.

c. Prioritize family-sized homes or homes with supportive services when the project is incentivized by state and local government programs. Many of the homes being constructed on the I-195 land and/or with tax stabilization agreements are micro-apartments of 500 square feet or less. While this may provide the maximum return to the developer, it does not address the most critical housing needs in the state. By allowing the creation of tiny residences, the state is consuming invaluable development opportunities with inefficient uses that will endure for generations.

4. Assure adequate funding for Supportive Services for individuals with special needs. While more affordable homes are an essential element in solving our housing crisis, many cases of homelessness are a direct result of individual and family crises such as illness, divorce, death of a partner, loss of a job or other non-housing issues such as mental illness, substance use disorder or disability. In addition to measures to create more affordable homes, the state needs to adequately address the lack of funding and challenges in delivery of its mental health, behavioral health and developmental disability services and assure availability of emergency intervention when family crises threaten the loss of a home. It has been proven that providing homes with services produces better outcomes for the individual, better quality of life for all and saves taxpayer dollars. Let's do it.

5. Emphasize and subsidize 1st Generation Homeownership. Create a sizable and forgivable down-payment program with more opportunities for equity building for 1st generation homebuyers. This will promote stable homes and neighborhoods, generate family wealth and compensate for past patterns of housing and lending discrimination that has blocked the accumulation of wealth within many families of color. The federal HOME program has a 20-year affordability restriction which is a deterrent to homebuyers and prevents the accumulation of equity. A 10-year restriction and gradual forgiveness would be a much more effective contribution to long underserved families and communities.

6. Support the lifetime maintenance of older buildings. Many of Rhode Island's "naturally affordable" homes were built before 1940 and require extensive ongoing maintenance and repairs that are beyond the financial resources and skills of new generations of Rhode Islanders. The State of Rhode Island, its agencies and its cities and towns need to develop and encourage programs that support local and owner-occupant landlords to preserve these critical housing resources. We can't build enough new homes to offset the loss of abandoned ones

7. Assure a balanced investment of government subsidies in traditional neighborhoods of color as well as new areas of economic opportunity. Many state and federal housing programs tilt their scoring towards increasing housing opportunities in communities that have long provided fewer affordable homes. It is very important to do so but is equally important that we are not depriving traditional neighborhoods of color, which often have older and more deteriorated buildings, of the funds needed for reinvestment and revitalization. A balanced funding approach must be achieved so that lower income neighborhoods are not "red-lined" and that good affordable homes can be maintained and created in neighborhoods that may be experiencing gentrification and finally achieving greater economic opportunities just as increasing rents and home values drive out longtime residents.

8. Make affordable housing programs more user friendly for lower income populations. Programs for lower income people often treat them as if they are less honest than higher income folks. This is an unjust stereotype and reduces the effectiveness of the programs. We should base affordable housing programs on the same consumer trust as does the IRS. Use simple documentation, affidavits of truthfulness and audits with penalties rather than requiring burdensome documentation upfront. In doing so we will achieve faster results better outcome, less costly administration and greater social justice. It is hard for State and local agencies deviate from federal regulations but can use the least restrictive means possible and employ a more user-friendly approach with their own funded programs.

9. Maximize housing voucher utilization. Rhode Island needs as many federally subsidized vouchers as they can get because of the huge benefit that they provide to lower income families and the landlords who rent to them. However, the costly bureaucratic processes required to administer vouchers deter many agencies from even applying for them. We should encourage all housing authorities and agencies to apply for and maximize the use of all possible federal housing vouchers that become available even if it requires state funds to offset some of the administrative costs.

10. Adopt a statewide definition of affordable housing that is no higher than 100% of annual median income (AMI) and slice the current 10% threshold into categories that more realistically reflect the state's need to provide good homes for low-, very low- and extremely low-income households. The current law allows subsidies that serve households with income levels up to 20% above the median family income and makes no separate allocation to serve individuals and families most in need. Not surprisingly, for-profit developer/builders and towns most often pursue the building of homes for the those with the highest incomes.

In a state where local decision-making and existing land use patterns are highly valued, it is often hard for local communities to accept that they must also help to address statewide housing needs, fairness and equity rather than simply serving those closer to their own homes. Many towns object to the 10% affordable housing goal, especially more rural communities that have and desire minimal growth each year. They often say that the 10% affordable housing number does not truly reflect the town's need and that a definition of affordable housing that is limited to federally, state or locally subsidized or deed restricted housing does not accurately reflect their town's actual affordability or income distribution. In some cases, this may be true. However, the 10% number is a statewide attempt at fairness, is well below the actual need, and is a useful tool in realigning the current concentration of low- and very low-income households and subsidized housing in urban communities. Such concentrations may be the result of past patterns of discriminatory practices, limit the economic opportunities for low-income households and create unequal financial burdens on communities that have higher concentrations of low-income households and households with special needs.

11. Expedite the Comprehensive Permit Process. The legislative intent for creating the State Housing Appeals Board (SHAB) was to expedite land use development that included affordable homes. However, in practice, it has added another lengthy step to the planning approval process because 75% of SHAB decisions have been appealed to Superior Court, many of these decisions are appealed to the Supreme Court and it is not unusual for the process to extend for 10 – 20 years. For the comprehensive permit process to create a more equitable distribution of affordable homes, a way needs to be found to expedite both the SHAB process and the judicial appeals process that follows SHAB decisions. Firm

deadlines for submissions and fewer requests for delays are essential. (More information on the Rhode Island's affordable housing laws is attached)

12. Maximize the resources of RIHousing as an affordable housing powerhouse.

RIHousing has proven to be a national leader among state housing finance agencies. It is progressive, innovative and financially strong. Over the past 25 years, RIHousing has helped to provide affordable housing assistance to more than 100,000 Rhode Island individuals and families – almost 10% of all Rhode Islanders. It has helped to transform communities with good homes and mixed-use neighborhood centers. Over the past 15 years, RIHousing has helped more than ten thousand renters and homeowners keep their homes during the Great Recession and COVID-19 crises.

RIHousing is essentially a state-owned bank with a statutory purpose of increasing the supply of affordable homes and revitalizing communities in Rhode Island. By law, RIHousing has more than 30 broad and specific statutory powers: ... “to encourage the investment of private capital and stimulate and assist in the construction, rehabilitation, operation, retention, and maintenance of residential housing ... through the use of public financing, to provide construction and mortgage loans, to make grants to shelters for the homeless, and to make provision for the purchase of mortgage loans and otherwise; ... in order to meet the housing demands of the state; for which public moneys may be borrowed, expended, advanced, loaned, or granted.

RIHousing is and must remain financially self-sustaining, so entitlement programs such as rental subsidies should rely on taxpayer funds. But programs that can be funded with grants from its current earnings or funded with amortizing debt are the primary strengths of the agency.

RIHousing is the state's primary housing agency and, with its financial resources, can absorb additional staff to support the creation and preservation of more affordable homes at no cost to the Rhode Island taxpayer as it has done during times of crisis. As indicated above, taxpayer resources can best be put toward housing subsidies as well as capital grants. For example, \$500,000 per year for staffing could be better used to provide rental subsidies for 50 or more households. In 1991, Governor Sundlun eliminated all state funded housing positions and transferred all fiscal responsibility for staffing to RIHousing. This should be examined again as we seek to maximize the state's investment in affordable housing.

Additional Thoughts on Rhode Island's Low- and Moderate-Income Housing Act:

The Act is frequently criticized but has actually been a positive force in increasing the amount and location of affordable homes in Rhode Island. It provides a comprehensive application process and allows all parties - developers, community members and local officials -to have a full and fair hearing on the merits of various affordable housing development proposals. It also allows each town to develop its own plan for creating affordable housing and allows towns, within certain parameters, to define what affordable housing means in their community. The comprehensive permit and appeals process has resulted in many communities, including communities that traditionally had few affordable opportunities like Barrington, North Smithfield and several others to have an orderly process for increasing those opportunities.

Unfortunately, if a town or community group is willing to devote its financial resources to legal actions that fight affordable home construction, the extended time frame for Rhode Island judicial review can delay a final decision to such an extent as to make projects unfeasible. This is not unique to the Low/Mod Act and one can look to the protracted appeals process at agencies such as the CRMC for parallel issues. It is also not unique to Rhode Island as many other states grapple with identical challenges.

Delays in Rhode Island's comprehensive appeals process may have not resulted in a substantial reduction of affordable housing construction because scarce state and federal resources can usually be reallocated to other developments. However, the long and expensive legal appeals process can deter for-profit developers and has resulted in an uneven distribution of affordable housing among Rhode Island communities. This is an issue of fair housing, justice and equality and we must continue to their pursuit.

Probably the largest deficiency of the Low/Mod Act is that it allows each community to define affordable housing without regard to the actual needs of the entire state. Theoretically a town could target all of its affordable homes for households with incomes that are significantly above average (120% of area median income (AMI)) without any allowance for individuals or families at lower income ranges which is where the state's need is greatest.

Statutory definitions affecting Low- and Moderate-Income Housing in Rhode Island

"Low or moderate income housing" means any housing ... that is subsidized by a federal, state, or municipal government subsidy under any program to assist the construction or rehabilitation of housing affordable to low or moderate income households, as defined in the applicable federal or state statute, or local ordinance and that will remain affordable through a land lease and/or deed restriction for ... {a} period that is either agreed to by the applicant and town or prescribed by the federal, state, or municipal government subsidy program but that is not less than thirty (30) years from initial occupancy.

"Municipal government subsidy" means assistance that is made available through a city or town program sufficient to make housing affordable, ... (as defined below) ...; such assistance

may include but is not limited to, direct financial support, abatement of taxes, waiver of fees and charges, and approval of density bonuses and/or internal subsidies, and any combination of forms of assistance.

"Affordable housing" means residential housing that has a sales price or rental amount that is within the means of a household that is moderate income or less.

In the case of dwelling units for sale, housing that is affordable means housing in which principal, interest, taxes, ... and insurance constitute no more than ...30% of the gross household income for a household with less than ... 120% of area median income, adjusted for family size.

In the case of dwelling units for rent, housing that is affordable means housing for which the rent, heat, and utilities ... constitute no more than ... 30% of the gross annual household income for a household with 80% or less of area median income, adjusted for family size.

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Governor McKee's Proposed 2023 Budget for Housing Assistance

General Comments: Governor McKee's housing budget proposal is outstanding. It recognizes the immediate crisis and uses one-time funds to directly address the challenges in the short and medium term. It deploys funds across a variety of critical categories. Unfortunately, even this massive investment of funds only partially addresses the current symptoms of the crisis and does not address the long-term causes of our lack of affordable homes. The fact that the Governor is thoughtfully distributing a onetime infusion of a quarter of a billion dollars (\$250 million) but can only address some of the symptoms clearly illustrates the magnitude of the need for an entirely new paradigm.

Facts on the RI Housing Crisis:

Affordable housing shortage	21,678 Homes	(NLIHC Gap Report)
Homeless on January 2, 2021	1247 Individuals	(HUD Point in time count)
Households paying > 50% of income	27,165 Households	(RI Con Plan 2020 - 2024)
Homes with severe problems	30,345 Homes	(RI Con Plan 2020 - 2024)

Median sales price and approximate minimum cost to create a new home = \$385,000

Proposed uses of \$250 Million

\$90 million Project financing to build or preserve 1500 homes

This will provide an average subsidy of \$60,000 per home. In Rhode Island, the median sales price is about \$385,000 which also approximates the minimum price to develop each additional home, whether new construction or rehabilitation. However, reducing the per home cost to \$325,000 is still well above the affordable level for about half of our population. That is why subsidies alone cannot address the state's affordable housing crisis.

\$25 million For acquisition

If this is for a land bank program, it should be limited to government agencies and non-profits. In the current economic environment, private developers have easy low-cost access to investment funds. To give them government subsidies will feed speculative activities and drive developable property costs even higher. However, a land bank program for non-profit agencies is essential for them to compete with for-profit developers and create the homes that are hardest and most needed.

\$10 million Pre-development

My comments are the same as for the acquisition program. A pre-development loan program is essential but should be limited to non-profit and government agencies.

Mortgage Underwriting Example

Standard Underwriting Ratios

Front End (RI Housing)	.30
Back End	.43

Per Month

Median Income for Family of 3	\$6488
Maximum Debt to Income Ratio (Back End .43)	\$2790
Maximum DTI (Front End .30)	\$1946

Median Monthly Car Payment (Used)	\$400
Median Student Loan Payment	\$393
Median Credit Card Debt Payment	\$111
Median Property Tax Payment (4339/12)	\$362
Median Property Insurance	\$150

Available for Mortgage (Back End)	\$1374
Available for Mortgage (Front End)	\$1434
Mortgage Rate (with PMI)	4.5%

Maximum Mortgage Debt (Back End)	\$272,000
Maximum Mortgage (Front End)	\$283,000

RI Median Sales Price	\$385,000	Gap \$113,000
80% of median sales price	\$308,000	Gap \$36,000