



Rhode Island's Housing Production

Senate Special Legislative Commission on Housing
February 5, 2020



Our Mission



- To ensure that Rhode Islanders can secure a healthy home that meets their budget and their needs by:
 - Making and servicing loans to buy homes
 - Providing assistance to homeowners and renters
 - Financing the construction & preservation of healthy, affordable homes in communities across the state
- Self-supporting quasi-public agency
–no state funding for operations



Rhode Island's Housing Challenges

1) We are not producing enough new units

- Leads to tight markets and low vacancy
- Failing to replace older homes

2) We are not producing units at a range of price points

- Lack of supply for those classified as extremely low income and those workforce housing bracket

3) Demographic change is creating demand for new housing types

- Aging in place



National Trends

- Nationwide construction activity is barely keeping pace with household growth
 - Only 1.2 million units added in 2019
 - Excluding recession years, lowest production rate since 1982

Harvard: There's a housing shortage, and it's eroding affordability

Tight supply is putting the squeeze on prices

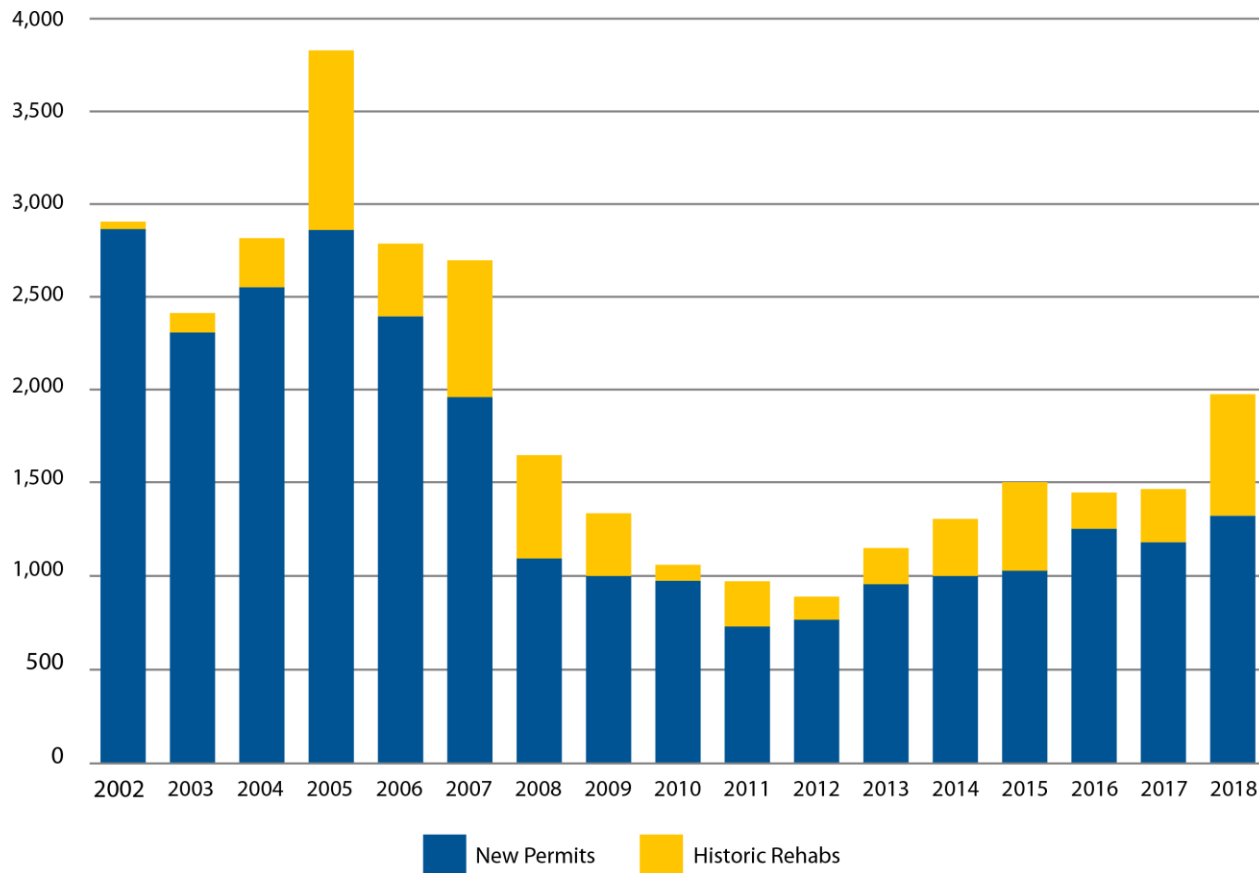
America Isn't Building Enough New Housing

- The long reach of the last crash.

Not Enough Homes, and the Wrong Kind

Production Trends in Rhode Island

Annual Housing Production, 2002 - 2018



- Production has not recovered from the recession
- Estimated **2000 new homes** built in 2018

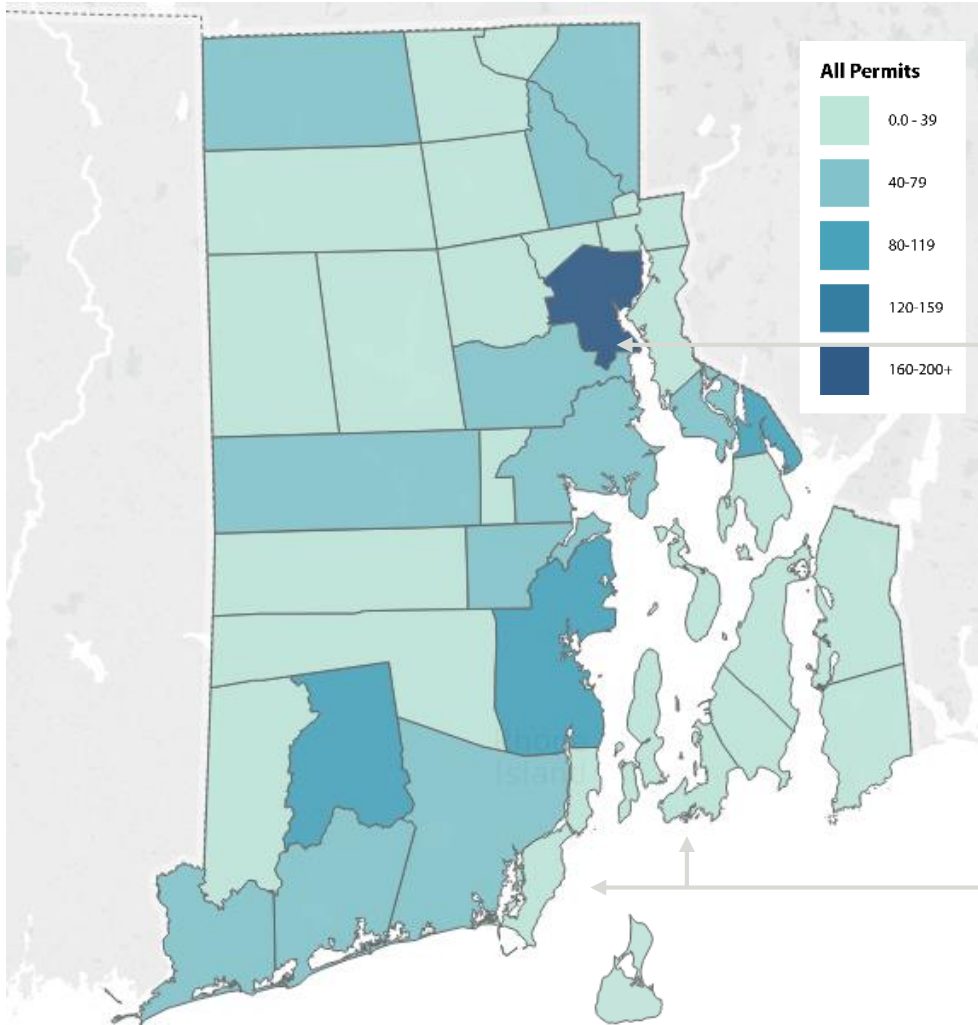


Production by Region

Permits Issued in 2018

Permitting activity
Providence

Increased activity in
& Kent County

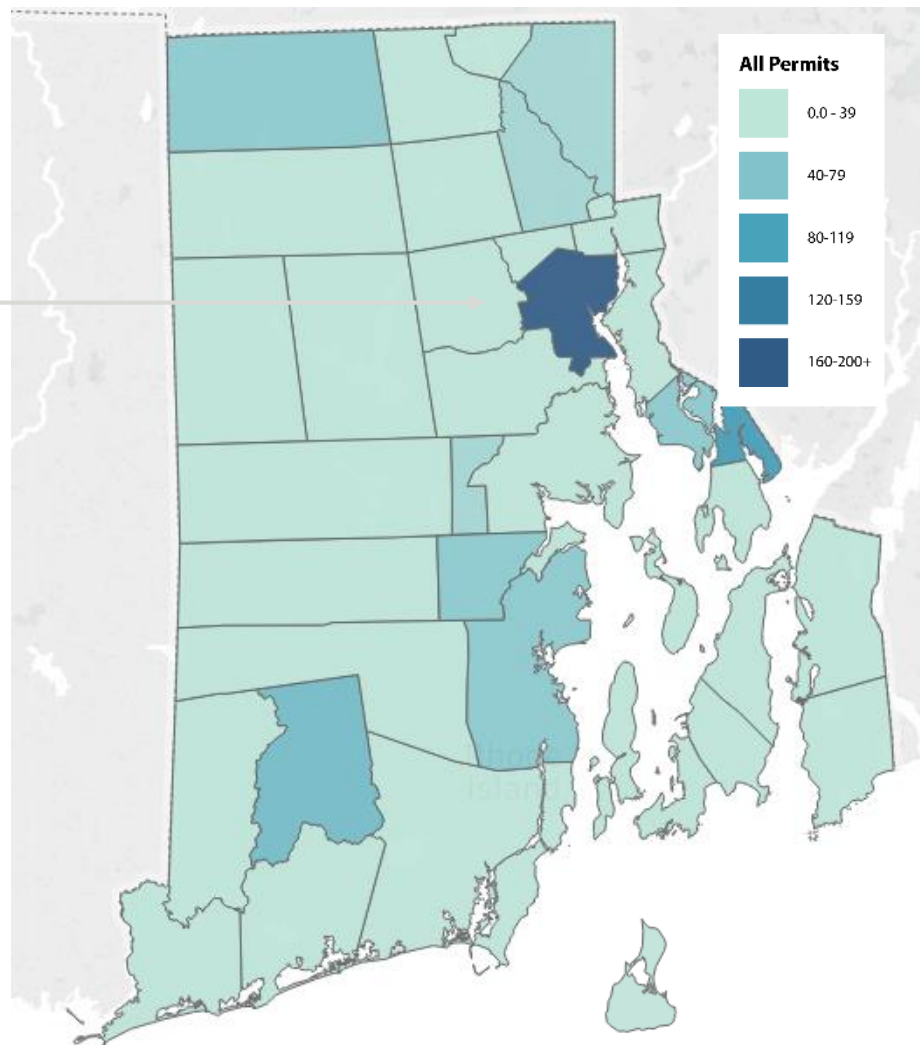


Production by Type

Multifamily Permits Issued in 2018

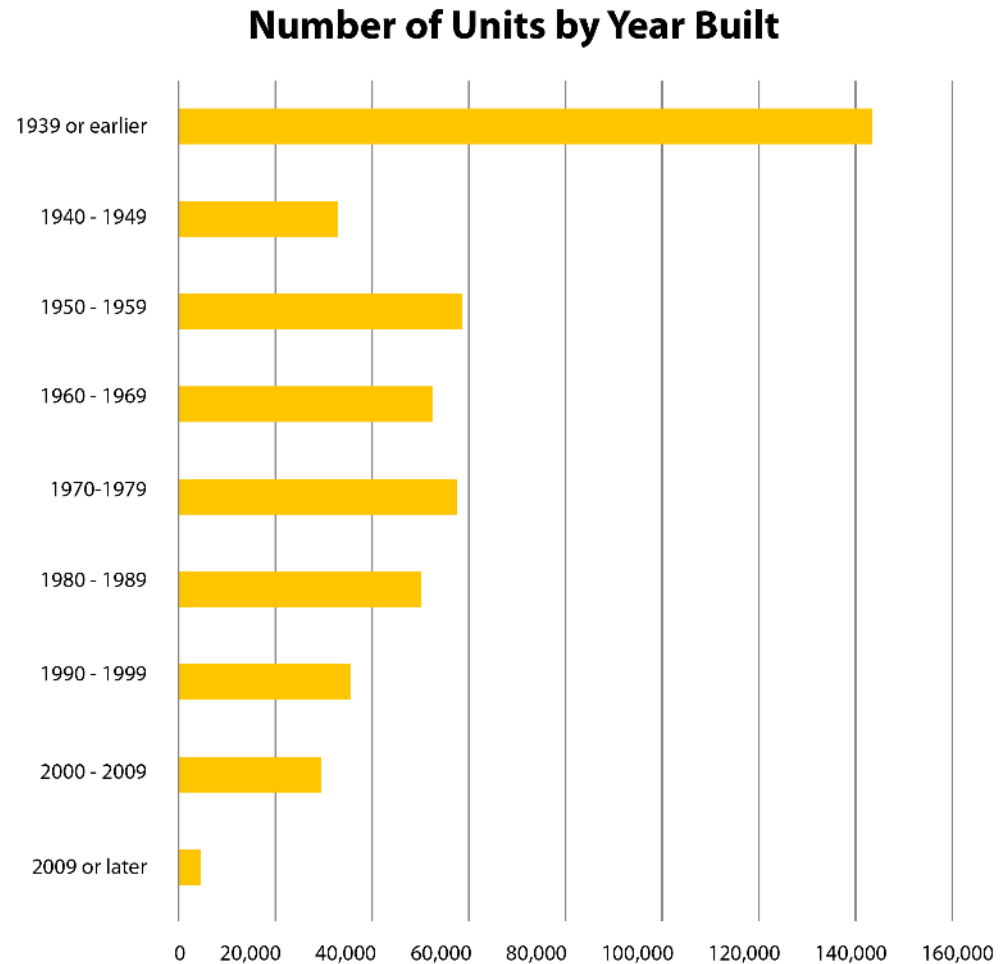
Multifamily development in Providence

- Very limited multifamily development in other
 - 25 communities with less than 10 multifamily 2018



Aging Housing Stock

- RI has some of the oldest housing stock in the country
 - 30% of housing built before 1940
- Estimated 500+ units lost every year to deterioration, demolition, or conversion
- Production rate needs to keep up with natural turnover



Preserving Affordable Housing

- Estimated 6,000 rental units have affordability restrictions expiring by 2024
- Without preservation financing, these units are at risk of becoming unaffordable



Omni Point, Providence



Prospect Heights, Pawtucket

Barriers to Production

- Regulatory and zoning barriers
 - Minimum lot size
 - Long approval process
 - Additional impact fees
- Recent study ranks Rhode Island as the 3rd most highly regulated construction market in the country
- Drives up development costs and impedes production



Data Sources for Production

Census Building Permits Survey

- Reported by municipalities
- Captures permits, not starts or occupancy
- New construction only – no rehabs or renovations
 - Can use Historic Tax Credit data to estimate

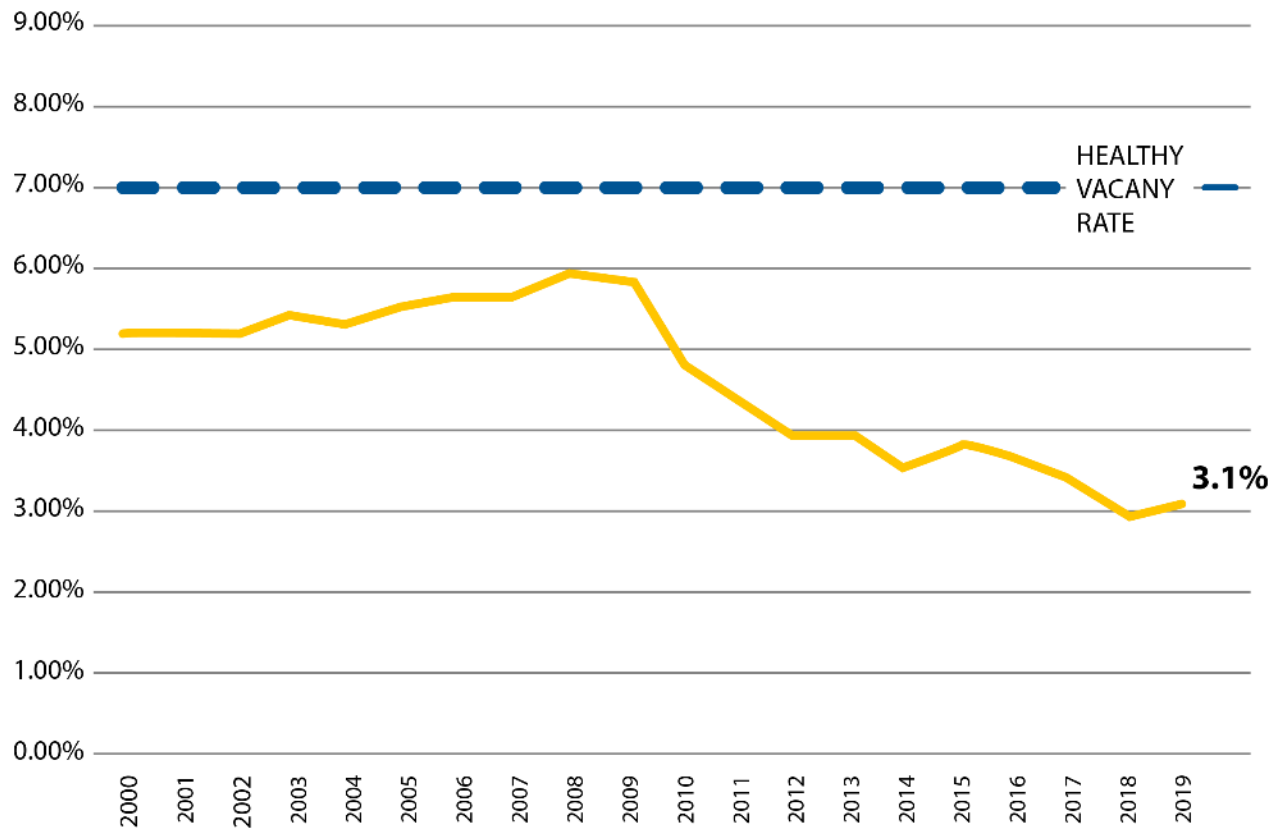
Municipal Permitting Data

- Comprehensive database of all permits, including historic rehab
- Up-to-date & detailed
- Not reported to state or Census



Consequences of Low Production: Declining Rental Vacancy

Rental Vacancy Rate, 2000 - 2020

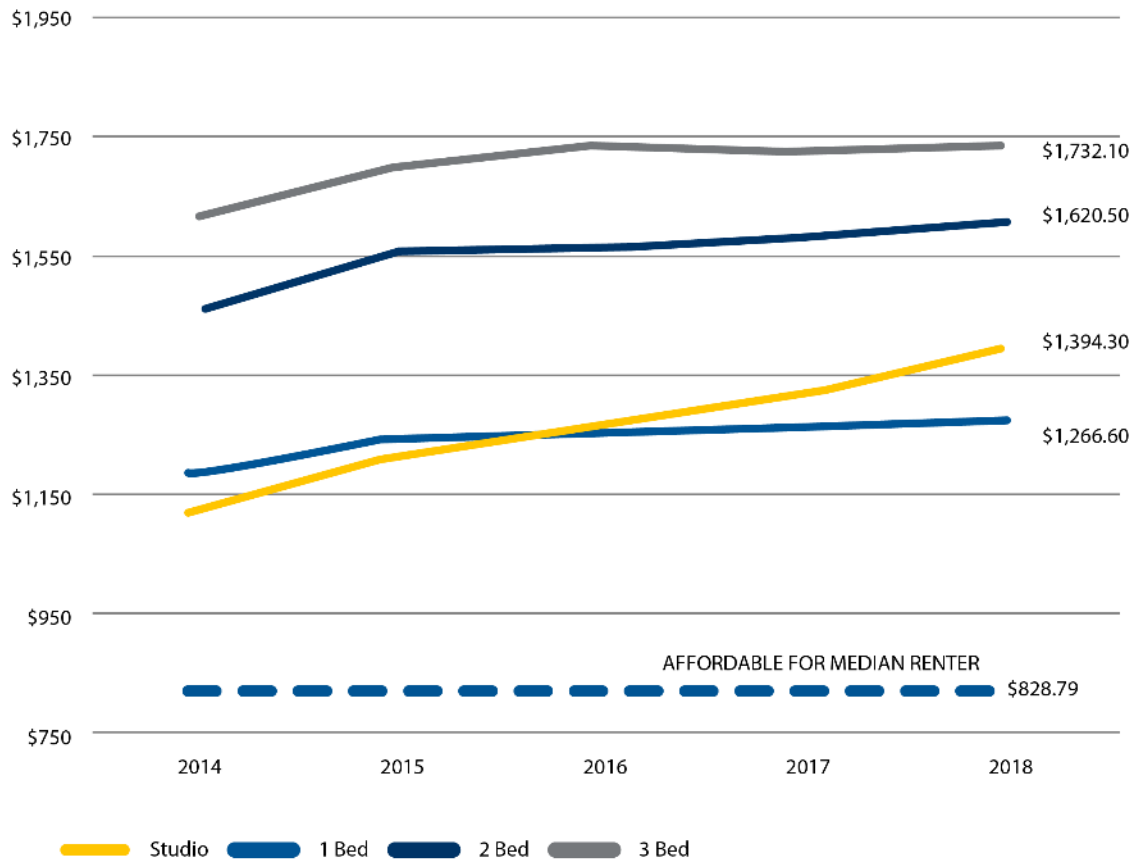


- Slow production is leading to tight market conditions
- Current rental vacancy is **3%**
- Healthy rental vacancy rate is **7-8%**



Consequences of Low Production: Rising Rental Costs

Change in Rent, 2014 - 2018



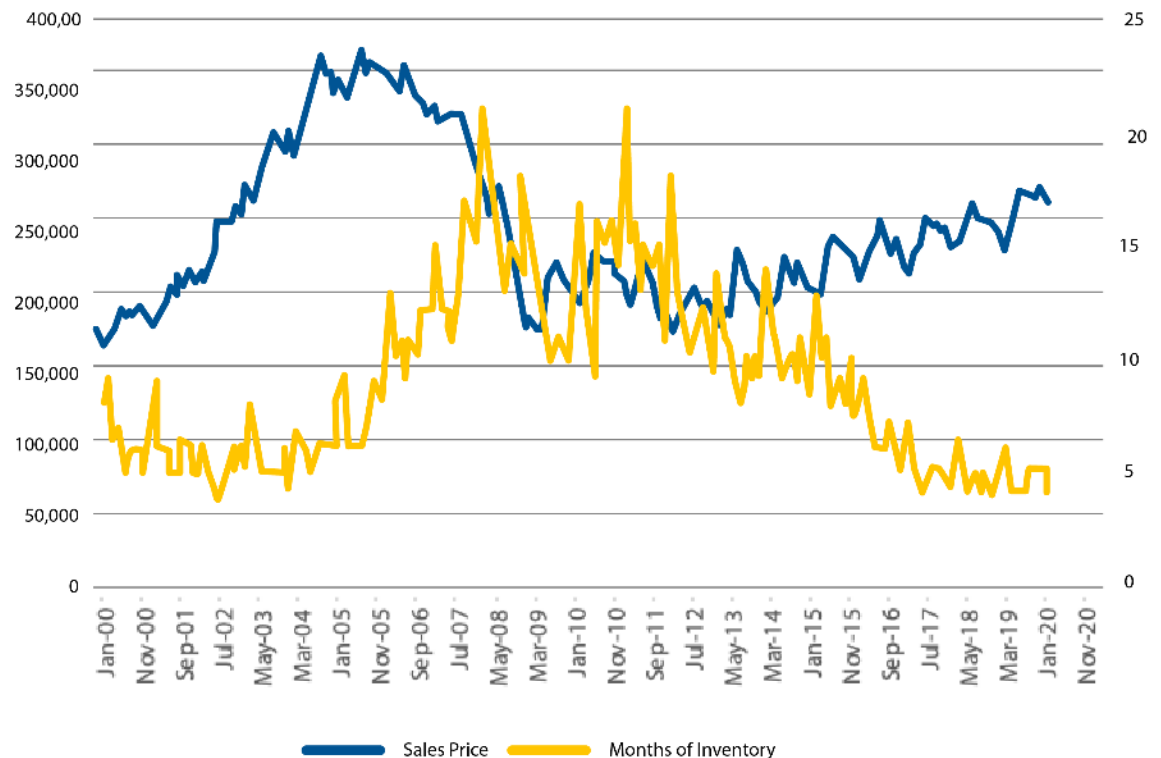
- Rents for 2-bed have increased 10% since 2014, studios have increased by 22%
- Renter incomes have increased less than 0.5%
- 46% of renters are cost-burdened



Consequences of Low Production: Tight Sales Inventory

- Balanced sales market has 5-6 months of inventory
 - Current statewide inventory: 3.5 months
- Leading to increased sales prices
 - Returning to pre-recession prices

Sales Price & Inventory, 2000 - 2019



Affordability Mismatch

- Ongoing 'mismatch' between household income and unit price
- Very tight inventory of homes affordable to those classified as extremely low-income
 - 50,000 households below 30% AMI (<\$25,000 per year)
 - 30,000 units available in this price range



Affordability Mismatch



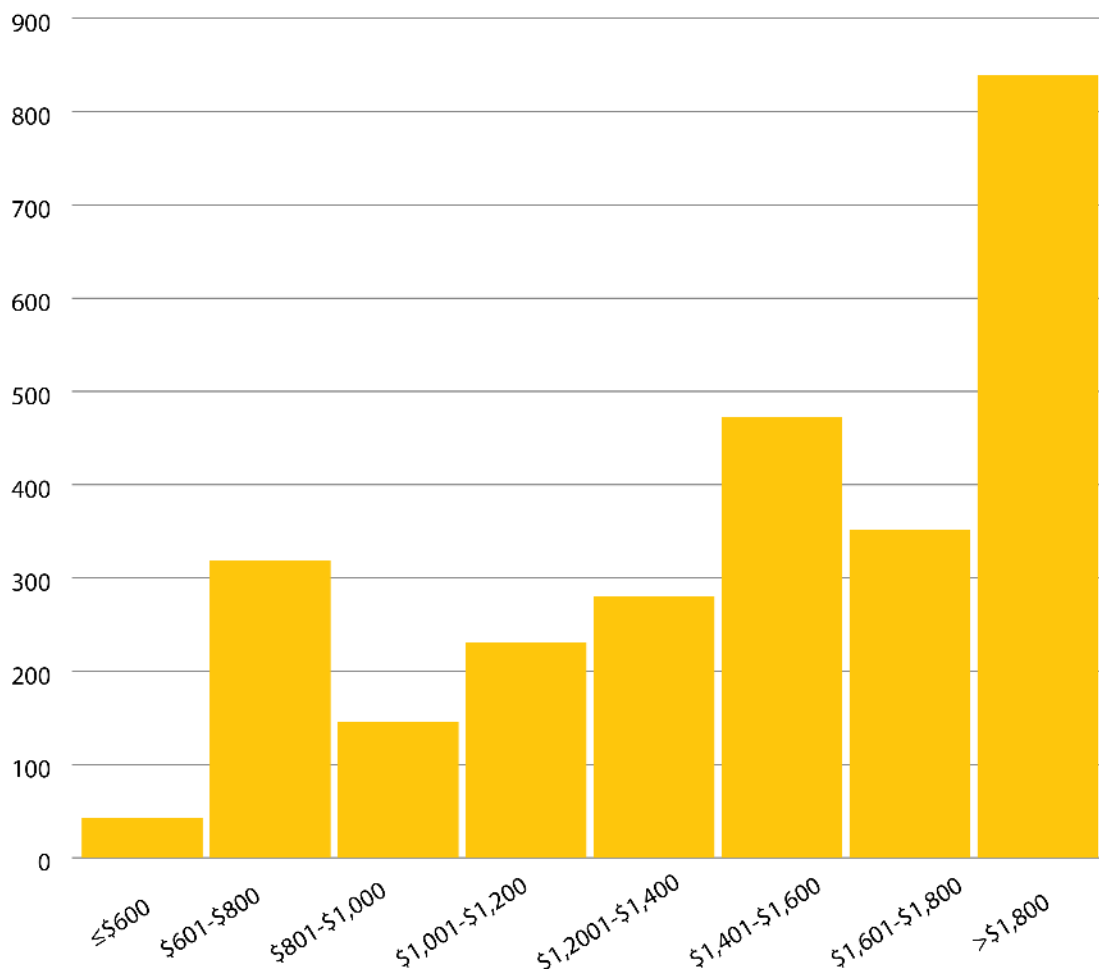
- Limited supply of appropriately-priced rentals for those on the higher end of the workforce housing bracket
 - 24,000 households earning 100-150% AMI (\$73,000 - \$90,000 per year)
 - 11,000 units in this price range



Uneven Production Patterns

- Need to produce units at a range of price points
- Current rental production is skewed towards higher-priced units
 - 50% of units priced above \$1600 per month

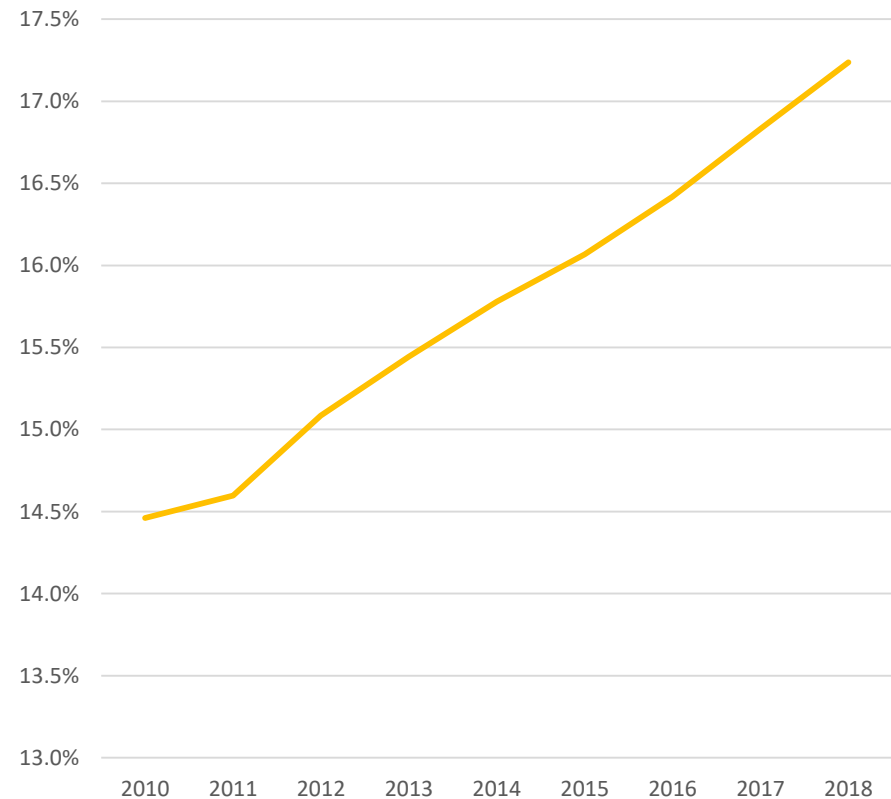
**New Construction Multifamily Units by Price Point
2015 - 2019**



Aging Population

- Fastest-growing age group in RI
- Need for accessible housing options to age in community
- Preference for housing near transit, community services, and retail

People 65+ as Proportion of State Population



Questions?

