



***PROJECTING FUTURE  
HOUSING NEEDS REPORT***

**April 2016**

**Executive Summary**

Rhode Island is still recovering from the housing and economic crash that dramatically reshaped the State’s economy and housing market. In the run-up to the crash, median housing prices rose rapidly, collapsed even more quickly, and have been slow to climb back. Prior to 2006, the state’s population was growing at a consistent pace, leading to a historically high population level in 2006. In 2007, the population started to decline. The loss was sharpest during the recession and for several years thereafter. However, recent estimates show that Rhode Island has reversed this trend and is once again seeing modest population growth.

**Continued slow growth or stronger economic growth and how it affects Rhode Islander’s choices**

While it is difficult to exactly predict the state’s future demographic make-up, we can investigate the likely scenarios, assess how anticipated demographic trends will transform Rhode Island over the next ten years, and project future housing needs and preferences.

To do this, HousingWorks RI at Roger Williams University (HWRI) created two scenarios of statewide population growth and analyzed each growth scenario’s anticipated effect on household composition and housing units. The **Status Quo Scenario** projects population growth in Rhode Island over the next ten years, assuming that current trends in births, deaths, and migration rates continue as they are today. The **Stronger Growth Scenario** estimates what population and household growth might look like under an improving Rhode Island economy, assuming modest job growth and greater attraction and retention of the 20-44 year-old population through reduced out-migration and increased in-migration. The following table sets forth the key differences between these two scenarios.

**Rhode Island Projections Status Quo vs. Stronger Growth**

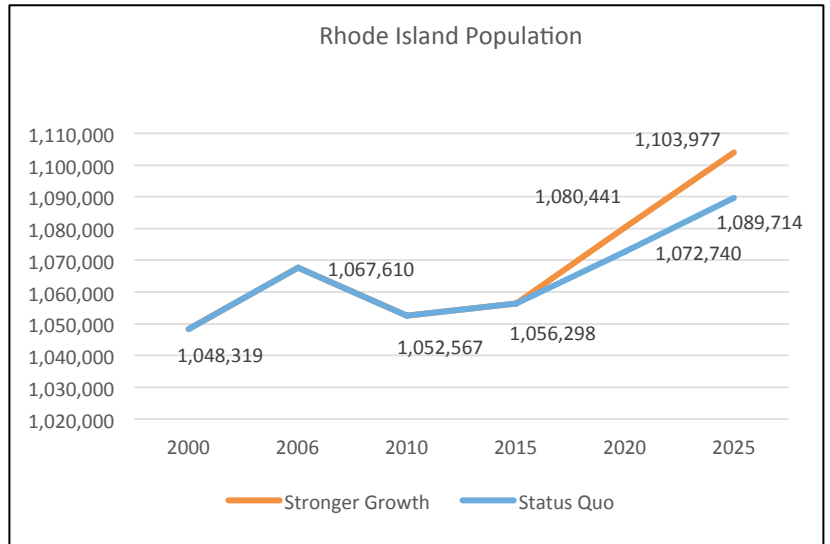
	Rhode Island Today	2015-2025 Status Quo	2015-2025 Stronger Growth
Total Population	1,056,298	+ 3.3%	+ 4.5%
Age 0-19	248,484	- 10.1%	- 9.1%
Age 20-44	345,528	+ 8.1%	+ 11.0%
Age 45-64	295,014	- 11.5%	- 11.0%
Age 65 and older	166,147	+ 39.6%	+ 39.7%
Households	409,569	+ 11.6%	+ 12.9%
Housing Units	462,930	+ 7.5%	+ 8.7%
Labor Force Population (16+)	564,492	+ 2.2%	+ 4.0%

The projections and observations about future housing needs are further informed by the actual experiences of Rhode Islanders in different demographic groups. To learn more about future housing preferences and current housing challenges, HWRI conducted focus groups with four growing Rhode Island demographic groups: Low Income, Millennials (age 18-34 in 2015), Latinos, and Seniors (age 55 and older in 2015). Questions explored with the focus groups were organized around five themes: Satisfaction with current housing; difficulties and frustrations; housing dreams; barriers to realizing the housing dreams; and suggestions for changes in policy. While the responses were many and varied, areas touched on by the groups were: what “home” means to them; discussion of areas where education, information, or infrastructure could improve their housing situation for the better; and observations regarding the impact of regulation, political or social disconnect, and public policy on their housing experience. In addition, there was a strong interest among all groups for housing that is connected, accessible and part of a lively community with high quality of place.

## Key Projections Findings

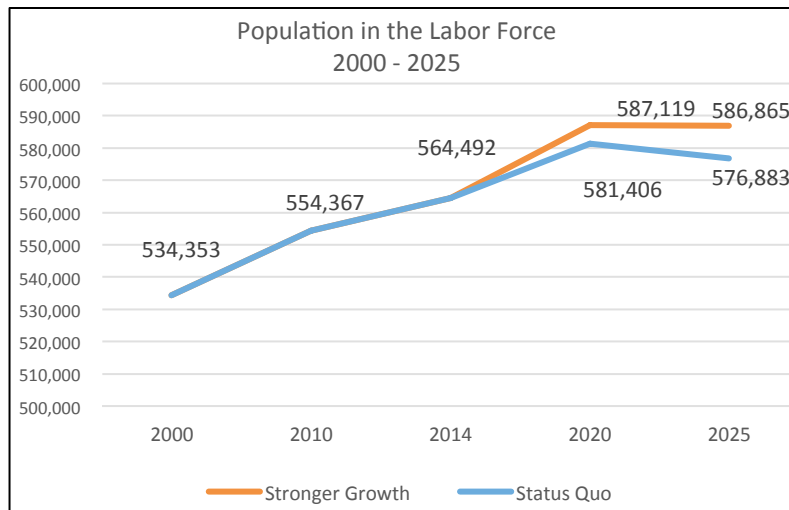
### Population Growth

Under either growth scenario, Rhode Island is projected to see an increase in the number of older residents and, to a lesser extent, 20-44 year olds, while other age groups will decline. The Status Quo Scenario is estimated to generate 3 percent growth from current levels, matching the projected 2025 growth estimate of Connecticut. The Stronger Growth Scenario estimates 5 percent growth, which is close to the projected 2025 growth estimate for Massachusetts. Both projections fall below the national forecast of 8 percent growth by 2025.



### Incomes and Affordability

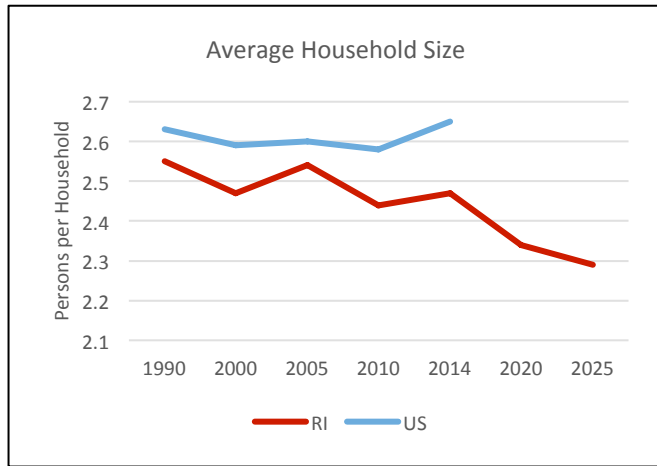
Nearly all new households over the next decade are projected to have incomes below 120 percent of the area median income (which was \$89,300 for a family of four in FY2015). Under the Stronger Growth Scenario there is a greater projected growth in households above 120 percent of the area median income; however, under both scenarios, the number of lower income households is projected to grow. Given the housing burden currently experienced by lower income households, special attention will need to be given to help ensure housing affordability for many Rhode Island households over the next decade.



If current trends continue, labor force participation is projected to decline between 2020 and 2025, due to the growing senior population. However, if Rhode Island sees a period of economic growth, the labor force is projected to grow at a faster rate through 2020, stabilizing between 2020 and 2025. If Rhode Island is able to retain and attract a younger, working-age population, the labor force, and incomes, could grow faster.

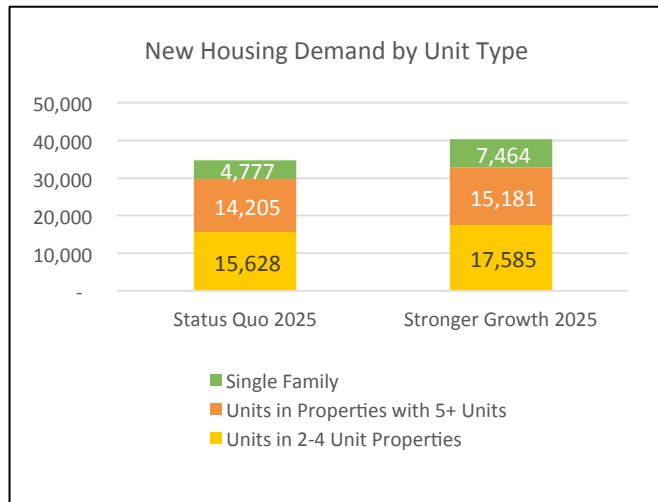
### New Housing Demand Outpaces Population Growth

By 2025, the statewide number of households is projected to increase by 12 to 13 percent (an increase of 47,441 to 52,853) and household size is projected to decline. With the population aging and birthrates declining, Rhode Island will see a growing number of single-person households, resulting in a downward trend in average household size. The combination of increasing population and declining household size will result in an increase in the number of households. Accommodating those new households is projected to create a demand for 34,600 new housing units by 2025 under the Status Quo Scenario and 40,200 new housing units under the Stronger Growth Scenario.



### Housing Stock Enhancements

Coupled with new housing unit demand over the next decade will be a projected increasing preference for housing in multifamily properties. More than 80 percent of new households are projected to seek housing in multifamily properties by 2025. Thus, more than 30,000 of the projected new housing units needed will be in multifamily properties.



### Regional Change Across the State

Projected demographic changes will not be uniform across the state. The seven identified “sub-state” regions will experience population and household changes to varying degrees. Population by age, and householders by age, has been forecasted for each of these sub-state regions. By 2025, population and household changes will necessitate additional

housing units across the state to ensure a healthy, affordable housing market and adequate shelter for new residents throughout all of Rhode Island’s communities. However, under either growth scenario, most of the state’s population growth and housing need over the next decade is projected to be in the city of Providence. At the same time, many other communities are projected to see simultaneous declines in school-age populations and growth in the number of older households.

## **Outlook**

Rhode Island stands at an economic and demographic crossroad, facing significant changes to our population over the next ten years. These changes will be influenced by the strength of Rhode Island's economy and ability to attract and retain recent graduates and young workers. Although we cannot predict the future with certainty, we can outline future trends based on past experience that will affect the state's population, number of households, and the types of housing units needed to meet future demand. That forecast points clearly to the need for increased housing production and a shift in the kind of housing Rhode Island produces to meet anticipated demands over the next ten years.

## **About the Projections**

HWRI contracted with the Metropolitan Area Planning Council (MAPC) to train, advise and assist HWRI on the creation of population, household, and housing unit projections for Rhode Island using a model created by MAPC. MAPC first developed its status quo and stronger growth models for the Metro Boston region for the 2014 report "Population and Housing Demand Projections for Metro Boston: Regional Projections and Provisional Municipal Forecasts." Development of the Rhode Island projections was supported by an advisory team composed of MAPC technical advisors, data experts, state and city agencies, and local housing and social service agency representatives.

Data sources for the projections include Decennial Census data from 1990, 2000, and 2010; American Community Survey (ACS) data from 2005 to 2015; fertility and mortality information from the US Department of Health and Human Services' Centers for Disease Control & Prevention and DataSpark RI; and housing production information from the US Census Bureau Building Permit Survey database.

## **About the Focus Groups**

HWRI engaged Dr. William Zywiak and Dr. Irene Glasser to conduct focus groups with four growing Rhode Island demographic groups: Low Income; Millennials (age 18-34 in 2015); Latinos; and Seniors (age 55 and older in 2015), in the fall and winter of 2015. In consultation with Drs. Zywiak and Glasser, HWRI developed 10 questions that were asked of all participants. Among the four groups, more than 60 Rhode Islanders shared their thoughts on their satisfaction with current housing, difficulties and frustrations regarding housing, housing dreams, and barriers to realizing those dreams. They also offered specific suggestions about how to make things better for their personal housing challenges as well as more broadly for the state.

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**Introduction**

HousingWorks RI at Roger Williams University (HWRI) created two scenarios of statewide population growth and analyzed each scenario’s effect on household composition and housing units needed. The **Status Quo Scenario** projects population growth in Rhode Island over the next ten years if trends in average births, deaths, and migration rates continue as they are today. The **Stronger Growth Scenario** examines what population and household growth might look like under a stronger Rhode Island economy with new jobs being brought to the state, and assumes a greater attraction and retention of the working age population through reduced out-migration and increased in-migration for population ages 20-44.

**Key Projections Findings**

- **Population Growth**  
Under either growth scenario, population in the Ocean State is projected to grow between 3 percent and 5 percent from 2015 to 2025. This is similar to projected growth estimates for Connecticut and Massachusetts.
- **New Housing Demand will Outpace Population Growth**  
A 12 percent to 13 percent increase in the number of households is anticipated, driven by a growing population and simultaneous decline in household size attributable to both lower birth rates and an aging population. The growing number of households will generate demand for production of an additional 34,600 to 40,200 new housing units.
- **Incomes and Affordability**  
Nearly all the new households are projected to have incomes below 120 percent of the Area Median Income. This is due to the fact that the populations that are projected to grow also tend to have lower incomes: seniors, millennials just starting their careers, and persons of color. If the stronger growth scenario is realized, there will be larger growth in the number of households above 120 percent of the area median income; however, lower income households will continue to grow under either scenario. Many Rhode Islanders already pay more than 30 percent of their income on housing costs, and with slow income growth, housing affordability is likely to continue to be a concern.
- **Housing Stock Enhancements**  
Due to the demographics and housing preferences of the households that are projected to grow, more than 80 percent of new households are projected to live in multifamily units. This will mean that over 30,000 of the projected new housing units will be needed in multifamily properties such as townhouses, condominiums, duplexes, and apartments.

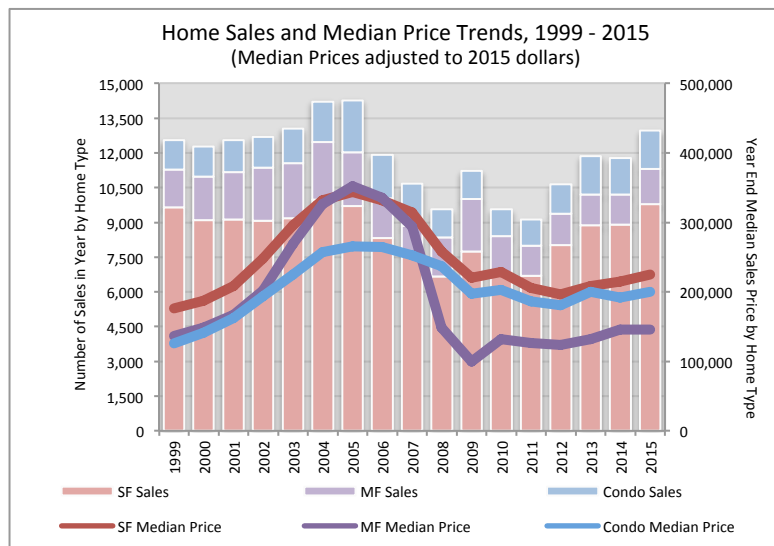
# Part 1: Affordability and the Housing Market

## Section 1: The Rise, Fall, and Recovery of Rhode Island's Housing Market

Rhode Island is still recovering from the housing and economic recession that began around 2007 and reshaped the State's economy and housing market. In the run-up to the crash, median housing prices rose rapidly, collapsed even more quickly, and have been slow to recover.

From 1999 to 2005, single family median sales prices increased, on average, 11.9 percent annually, resulting in a 95 percent increase in the median price for single family homes in just six years. The rise in

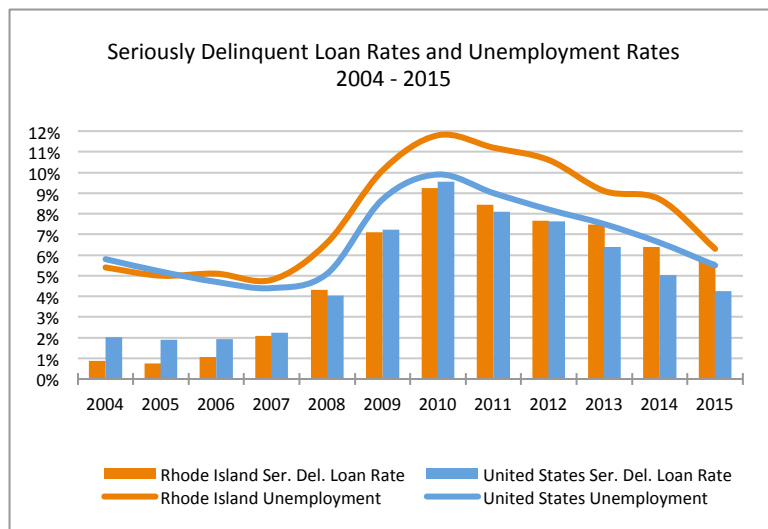
**CHART 1: HOME SALES AND MEDIAN PRICE TRENDS, 1999 - 2015**



multifamily sales prices was even more dramatic, with the multifamily median price rising 19.3 percent on average annually, resulting in a 158 percent increase in the median multifamily price from 1999 to 2005.

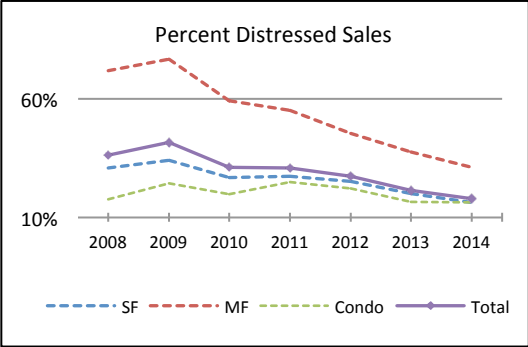
The collapse of home values coincided with the economic crisis that saw the State's unemployment rate more than double from 2007 to 2009. The result was extremely high mortgage delinquency levels in Rhode Island, followed by a surge in foreclosures. In 2005, Rhode Island's seriously delinquent loan rate (loans in foreclosure or 90+ days delinquent) was 0.76 percent (1 in every 132 serviced loans). By 2010, just five years later, the rate had risen to 9.23 percent (1 in every 11 serviced loans). The number of seriously delinquent loans in Rhode Island rose from 875 in 2005 to 12,616 in 2010, an increase of over 1,000 percent in just five years. As shown in Chart 2, the seriously delinquent loan rate closely tracked the Rhode Island unemployment rate. While unemployment and loan delinquency were not unique to Rhode Island, the combined severity of both problems did set the crisis in Rhode Island apart from that of the nation.

**CHART 2: SERIOUSLY DELINQUENT LOAN AND UNEMPLOYMENT, 2004 - 2015**



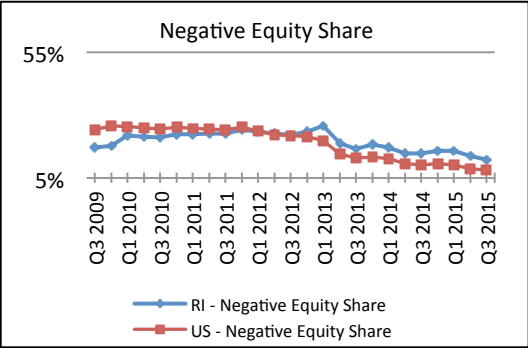
As the number of foreclosures increased, so did the number of distressed properties sold for less than the outstanding mortgage balance (underwater) or through foreclosure, putting additional downward pressure on housing prices. In 2009, 42 percent of all home sales in Rhode Island were distressed sales. The percent of distressed multifamily sales neared 80 percent in 2009, and remained above 50 percent of all sales until nearly 2012.

CHART 3: PERCENT DISTRESSED SALES, 2008 - 2014



Steep drops in home values left thousands of Rhode Islanders in a negative equity position. In the first quarter of 2013, CoreLogic reported that 59,340 households owed more on their mortgages than their home was worth at the time. This represented more than a quarter of all mortgages in the State. Fortunately, the recovering home prices of the past 2½ years have moved 30,000 homeowners from negative equity to positive equity positions. However, Rhode Island’s share of “underwater” mortgages has not dropped as quickly as the rest of the country, and the State’s 13.5 percent negative equity share is still fifth highest nationally as of Q4 2015.

CHART 4: NEGATIVE EQUITY SHARE



Within the State, the City of Providence has the highest rate of negative equity at 24 percent (based on 2015 monthly averages), while Northeast Rhode Island (a region that includes North Providence, Lincoln, Central Falls, Pawtucket and Cumberland) and Northwest Rhode Island (Burrillville, Smithfield, North Smithfield, Scituate, Foster, Glocester, Johnston and Woonsocket) follow with negative equity rates of 18 percent and 16 percent respectively.

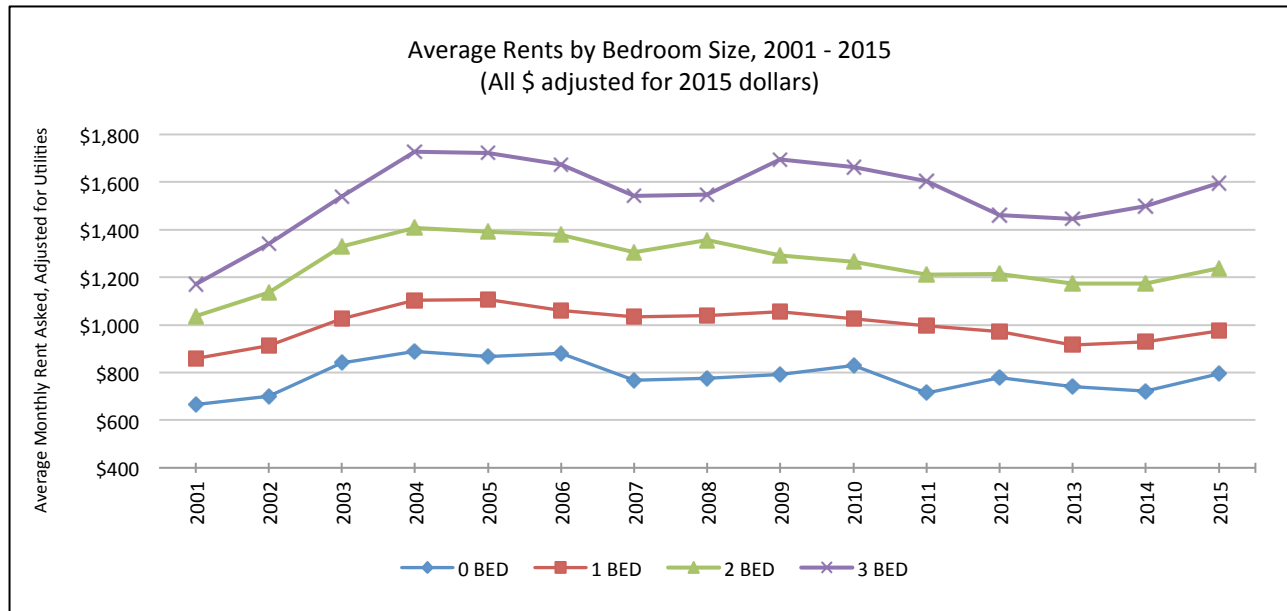
TABLE 1: 2015 MONTHLY AVERAGES

Region	2015 monthly averages	
	Negative Equity Rate	90+ Day Delinquency Rate
Central Rhode Island	13.6%	5.4%
City of Providence	24.1%	7.9%
Northeast Rhode Island	18.0%	6.0%
Northwest Rhode Island	15.7%	5.9%
South Rhode Island	4.8%	2.5%
Southeast Providence County	14.7%	5.4%
Southeast Rhode Island	7.0%	2.7%
<b>Grand Total</b>	<b>13.7%</b>	<b>5.1%</b>

While home prices widely fluctuated over the past 15 years, rents increased 36 percent from 2000-2004, and did not drop as precipitously as home prices during the recession. That was partly due to steady demand for rentals, as many Rhode Islanders who lost single family homes to foreclosure looked for rental housing at the same time that foreclosures among multifamily properties reduced rental supply. As a result, rents remained relatively stable from 2004 to 2014, when they began to rise again.

Average rent prices in Rhode Island in 2015 increased from 2014 levels by 6.7 percent for studio apartments, 5.1 percent for one-bedroom apartments, 5.6 percent for two-bedroom apartments and 6.6 percent for three-bedroom; these are the steepest single-year rent increases since 2004.

**CHART 5: AVERAGE RENTS BY BEDROOM SIZE, 2001 - 2015**



## Section 2: Housing Affordability Problems Become Mainstream

Housing is considered affordable if a household pays no more than 30 percent of its annual gross income on housing related costs: rent or mortgage, insurance, taxes, and utilities. Households are considered “cost burdened” if they pay more than 30 percent and “severely cost burdened” if they pay more than 50 percent of their income for housing. According to 2008 to 2012 Comprehensive Housing Affordability Strategy (CHAS) data, an estimated 164,740 households in Rhode Island, 40 percent of all households, were cost burdened, and of that total, 78,795, or 19 percent of all households, were severely cost burdened.

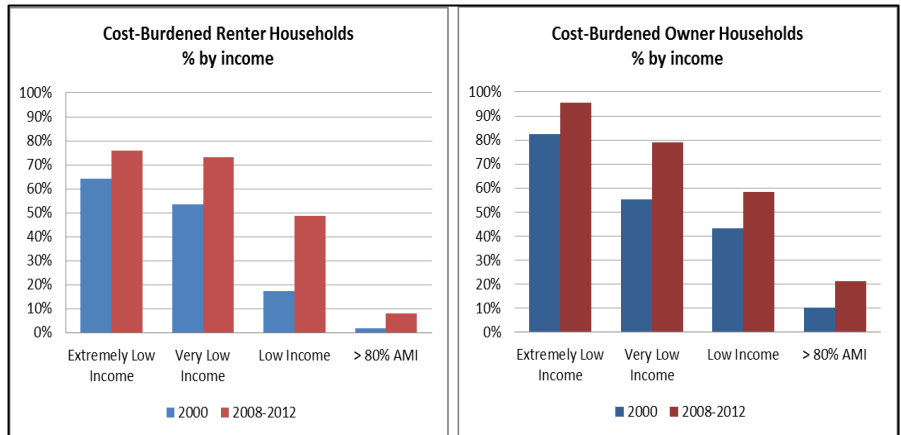
**TABLE 2: MEASURING HOUSING AFFORDABILITY CHALLENGES IN RI**

ALL RI HOUSEHOLDS	2000	2008-2012	% CHANGE	Homeowners				Renters			
	2000	2008-2012		% CHANGE	2000	2008-2012	% CHANGE	2000	2008-2012	% CHANGE	
Occupied Households	408,381	410,635	0.6%	Occupied Households	245,129	251,220	2.5%	Occupied Households	163,252	159,415	-2.4%
Cost-Burdened Households	114,100	164,740	44.4%	Cost-Burdened Households	58,700	87,770	49.5%	Cost-Burdened Households	55,400	76,970	38.9%
Severely Cost-Burdened Households	49,554	78,795	59.0%	Severely Cost-Burdened Households	21,502	36,980	72.0%	Severely Cost-Burdened Households	28,052	41,815	49.1%
% Cost Burdened	28.7%	40.1%		% Cost Burdened	24.8%	34.9%		% Cost Burdened	34.6%	48.3%	
% Severely Cost Burdened	12.1%	19.2%		% Severely Cost Burdened	8.8%	14.7%		% Severely Cost Burdened	17.2%	26.2%	

The number of cost burdened renters and owners in the state increased by 44.4 percent from 2000 to 2012, even as the number of households in the state did not significantly change. The number of severely cost burdened households increased 59 percent during this same time period. In 2000, about one-third of renters were paying unaffordable rents; by 2012 it was close to one-half. This is similar for homeowners. In 2000, about one quarter was cost burdened; by 2012, it was more than one-third.

Cost burdens rose for all income groups, however the cost burden change was greatest among low income renters. Between 2000 and 2012, the share of cost burdened, low income renters rose from one in six to one in two. The number of cost burdened very-low and extremely-low income renter households also grew to nearly three in four of the lowest income renter households paying more than 30 percent of their income on housing costs.

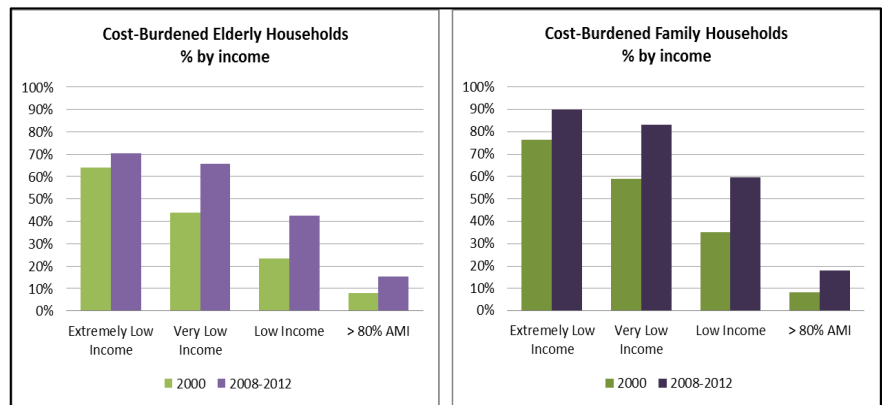
**CHART 6: COST BURDENED RENTER AND OWNER HOUSEHOLDS**



The number of cost burdened owner households in the lowest income groups also increased between 2000 and 2012. In 2000, 55 percent of very-low-income owner households were cost burdened. By 2012, cost burdened households increased to 79 percent. Of extremely-low-income owner households, those earning less than 30 percent of area median income (currently less than \$24,250 for a family of four), 96 percent were cost burdened by 2012.

Family households continued to be the most cost burdened household type by 2012. Ninety percent of extremely-low-income families were cost burdened in 2012, up from 76 percent in 2000. For very-low-income families, the percent who were cost burdened rose from 59 percent to 83 percent. For low-income families, the percent rose from 35 percent to 60 percent.

**CHART 7: COST BURDENED ELDERLY AND FAMILY HOUSEHOLDS**



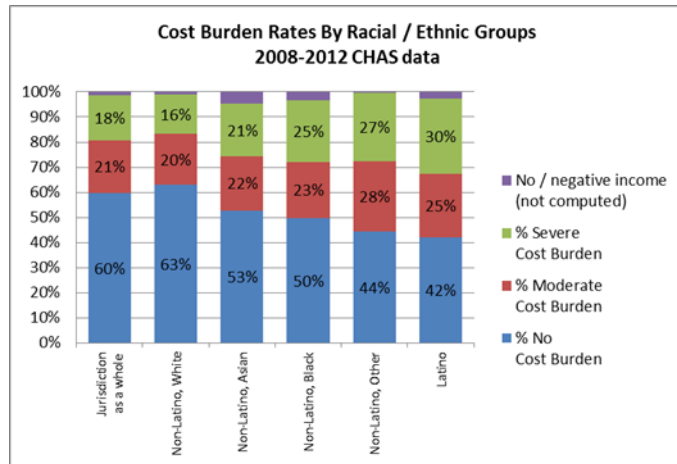
Although a greater overall percentage of family households are cost burdened, cost burdens grew at a faster rate for elderly households. Cost burdened very-low-income elderly households rose from 46 percent to 66 percent between 2000 and 2012. Low-income elderly households that were cost burdened rose from 22 percent to 42 percent and cost burdened extremely-low-income elderly households rose from 64 percent to 70 percent during the same time period.

**TABLE 3: INCOME LEVEL OF HOUSEHOLD**

	Income Level of Household				Total
	<30% AMI	30% - 50% AMI	50% - 80% AMI	> 80% AMI	
Percent of Households Cost Burdened, 2000 CHAS data	68.8%	54.2%	31.3%	8.5%	<b>28.7%</b>
Percent of Households Cost Burdened, 2012 CHAS data	80.5%	75.5%	53.9%	18.4%	40.1%
<b>Percent Change in # of Cost Burdened Households 2000 to 2012</b>	<b>6.2%</b>	<b>31.6%</b>	<b>42.8%</b>	<b>140.0%</b>	<b>40.4%</b>

Housing cost burdens also grew for higher income households. More than half of the 47,400 increase in cost burdened households from 2000 to 2012 were households earning more than 80 percent of area median income, those earning more than \$59,500 annually. Although these higher income households are still much less likely to be cost burdened than lower income households, the percentage increase of cost burdened households was the most severe for this higher income category. The number of cost

**CHART 8: COST BURDEN RATES BY RACIAL / ETHNIC GROUPS**



burdened households earning incomes below 80 percent of area median income increased 22 percent between 2000 and 2012.

However, the number of cost burdened households earning more than 80 percent of area median income increased by 140 percent, affecting nearly 29,000 households.

The rate of housing cost burden was higher for households headed by a person of color than for non-Latino White households. This disparity was particularly extreme for non-Latino Black, non-Latino Multiple Race, and Latino households, whose severe cost burden rates were nearly double those of non-Latino White households. Housing cost burden

affects just one in three non-Latino White households, while it affects one in two non-Latino Black households and three in five Latino households.

One of the factors driving rising cost burdens has been the decrease of housing affordable to lower income Rhode Islanders. HUD CHAS data estimates the total number of homes “affordable” (occupied and affordable) and “available” (vacant and affordable) for owners and renters at various income levels. For renters, the number of units affordable and available to households earning at or below 50 percent of Area Median Income dropped 46 percent between 2000 and 2012. Similarly, homeownership opportunities available to households earning at or below 80 percent of Area Median Income dropped by 56 percent in the same time period.

**TABLE 4.1: RENTER AREA MEDIAN INCOME**

Category	2000	08-12	% chng
Renters earning <50% AMI	81,966	77,385	-5.6%
Units Affordable and Available to Renters earning <50% AMI	122,580	66,645	-45.6%
Units per Renters earning <50% AMI	1.50	0.86	-42.4%

**TABLE 4.2: OWNER AREA MEDIAN INCOME**

Category	2000	08-12	% chng
Owners Earning <80% AMI	80,080	67,400	-15.8%
Units Affordable and Available to Owners Earning <80% AMI	149,155	65,955	-55.8%
Units per Owners Earning <80% AMI	1.86	0.98	-47.5%

A second factor driving housing cost burdens is that incomes in the state have not kept pace with increasing housing costs. For low-income owners, incomes fell by 7 percent and, for middle-income owners, by 2 percent. As for renters, incomes for the lowest income households increased slightly, but their housing costs increased even more. Middle income renters were particularly hard hit, with housing spending going up by 19 percent and incomes – in real terms – falling 7 percent.<sup>i</sup>

CHART 9.1: INCOME - OWNER HOUSEHOLDS

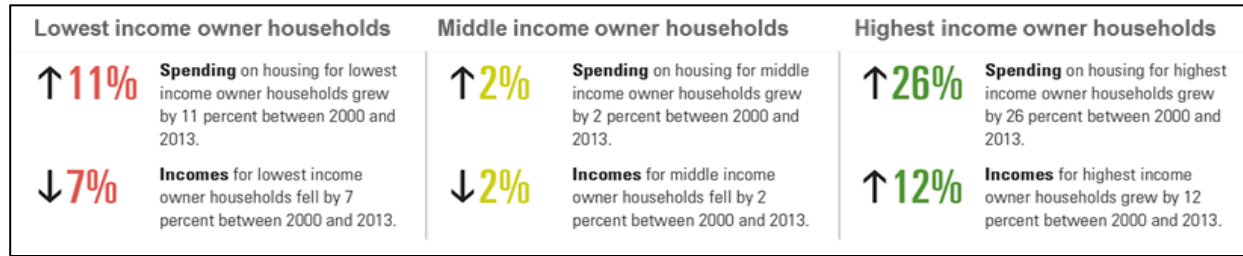
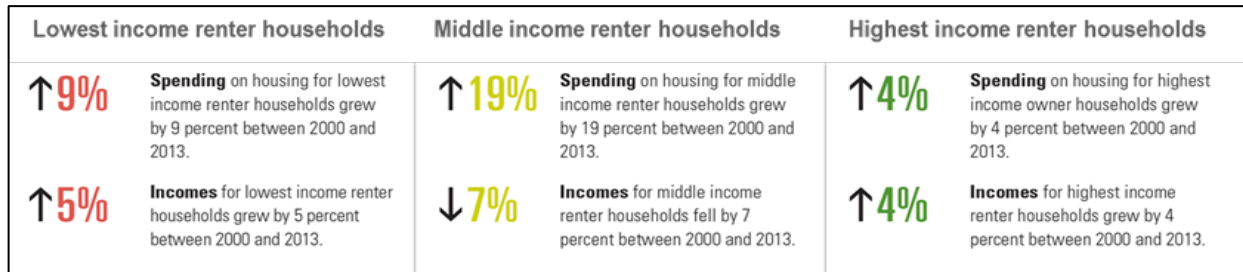


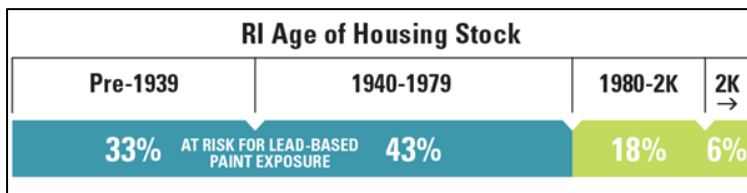
CHART 9.2: INCOME - RENTER HOUSEHOLDS



### Section 3: Residential Infrastructure Ages While Construction Declines

Rhode Island’s housing stock is the fourth oldest in the nation. In terms of overall inventory, only Massachusetts, New York, and DC have higher shares of homes built before 1940. Rhode Island has the oldest multifamily rental stock in the country, with a greater share of rental units built prior to 1940 than any other state. The state also has the lowest percentage of units built since 1990. Older housing is

more likely to have lead paint or be in poor condition, which can lead to a range of health issues. These older properties also tend to be less energy efficient, requiring owners and renters to spend more on utility costs.



### Substandard Conditions

According to statistics from the 2011 American Housing Survey, Providence metro area renter occupied properties were twice as likely to have moderate or severe physical problems—such as plumbing or heating deficiencies—compared with owner-occupied properties. While only 1.8 percent of all state’s households live in either substandard<sup>ii</sup> or overcrowded housing, substandard and old housing is particularly concentrated in low income areas: sixty-six percent of those affected are very-low-income households. Older housing also tends to be concentrated in low income areas. For the state as a whole, 40 percent of housing units were built before 1949, but for census tracts in which the median income was at or below 50 percent of area median income, 65 percent of the housing was built before 1949. Overcrowding, defined as when the number of persons living in a home is equal to or more than the number of rooms in the home, affects 5 percent of households in low-income census tracts, but only 2 percent of the state overall.



## Asthma

Inadequate housing has ripple effects on any state. Rhode Island’s housing stock contains numerous asthma triggers, including, mice, rats, roaches, dust mites, mold, and poor indoor air quality, which can exacerbate underlying asthma conditions for residents. More than 112,000 Rhode Islanders have asthma, and asthma related emergency room visits in the state have averaged from 60 to 68 visits per 10,000 individuals per year. According to the State of Rhode Island Department of Health, asthma hospitalizations in Rhode Island totaled about 1,300 in 2012, increasing costs to the state and to families who might otherwise be able to contribute more to the economy.

## Lead

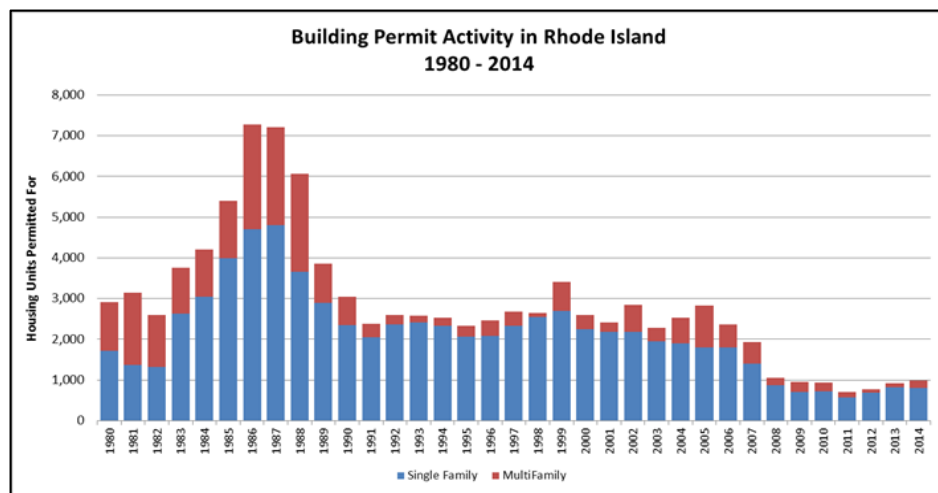
The chance of permanent damage caused by lead poisoning is highest when elevated blood levels first occur before age six; this risk is high for children in low-income households in Rhode Island. Based on 2008-2012 CHAS data, 82 percent of low-income households with at least one child younger than six years old lived in housing built before 1979, compared with only 67 percent of similar middle and higher income households. While there has been a major decline since 1998 in the incidence of elevated lead levels among children entering kindergarten in Rhode Island, 8.5 percent of the children entering kindergarten in the Fall of 2015, or 935 children, had a history of elevated blood lead levels. These children have been put at risk for severe health and behavioral consequences.

In 2004, Rhode Island passed the Lead Hazard Mitigation Law in order to reduce the number of children exposed to lead and its related health impacts. The law requires landlords of non-owner-occupied housing built before 1978 to assess and mitigate any lead hazards. Overall, 82 percent of all renter-occupied homes and 72 percent of all owner-occupied homes in Rhode Island were built before lead was banned as a house paint additive in 1978. However, a study of housing in Providence, Pawtucket, Central Falls, and Woonsocket found that less than one-third of properties built before 1978 in those communities were required to comply with the State’s law.<sup>iii</sup> Of the properties that were required to comply, only 20 percent had complied within the first five years of the law’s passage.

## Construction Activity

The rate of new residential construction in the State has failed to keep up with the need for additional housing units. Rhode Island’s new residential building permit activity has been 51<sup>st</sup> in the nation, including the District of Columbia, for five straight years,<sup>iv</sup> and RI has been ranked last or within the

CHART 10: BUILDING PERMIT ACTIVITY, 1980 - 2014



bottom five states for building permits issued every year since 2000. Construction of multifamily housing has been particularly hard hit in Rhode Island, with average annual multifamily units permitted since 2008 falling 62 percent when compared with 1990 – 2007 pre recession averages.



New residential building permit activity has yet to improve, even as the state’s economy begins to recover. From 1990 to 2007, the state averaged 2,580 new units permitted per year; the post-recession average has only been 900 new units per year, a 65 percent drop. The downward trend in building permit activity, especially since 2007, coincides with the collapse of home prices, high unemployment and serious loan delinquency. The lowest level of activity was in 2011, when only 700 new housing units were permitted.

**TABLE 5: RESIDENTIAL CONSTRUCTION INDUSTRY**

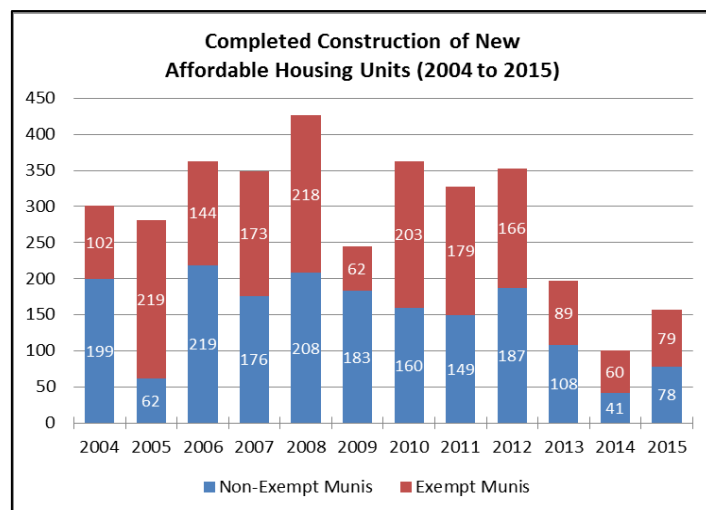
Year	Residential Construction Industry in RI	
	# Employed	Annual % Chng
2005	13,356	-
2006	14,852	11.20%
2007	13,565	-8.67%
2008	12,990	-4.24%
2009	10,640	-18.09%
2010	10,009	-5.93%
2011	8,892	-11.16%
2012	9,053	1.81%
2013	8,960	-1.03%

Rhode Island’s slow population growth and high density in some communities does not explain the extremely low levels of building permit activity. Rhode Island averaged 849 new units permitted annually from 2010 to 2014, with an average population of 1.052 million, resulting in a production ratio of one new unit permitted for every 1,294 persons. This is the lowest ratio in the nation, and far behind Illinois, which had the second lowest ratio at 923 persons for each new unit permitted. During this time period, Rhode Island’s annual population change was only 0.054 percent, ranking Rhode Island 48<sup>th</sup> out of all 50 states and the District of Columbia. Based on population, the remaining nine slowest-growing states had an average increase of new units permitted of 8.36 percent from 2010 to 2014, nearly four times Rhode Island’s rate of 2.23 percent.

While Rhode Island has never been one of the leading states in building permit activity, historically we fared moderately better. From 1980 to 1989, Rhode Island averaged an annual ranking of 43<sup>rd</sup> nationally in new units permitted, and the state typically outperformed the bottom quintile average, the average annual units of the bottom ten states combined. However, the past five years have seen Rhode Island fall to its lowest output and ranking in new units permitted.

The effect of stagnant residential construction on Rhode Island’s economy has been dramatic. Even after jobs started to return in 2013, residential construction jobs still remained 33 percent lower than in 2005. Construction jobs fell 11 percent per year from 2007 to 2011, with 6,500 jobs lost.<sup>v</sup> Residential

**CHART 11: CONSTRUCTION OF NEW AFFORDABLE HOUSING**



construction jobs once comprised 2.6 percent of the state’s workforce, and 40 percent of the construction industry as a whole. By 2013, those percentages had fallen to 1.8 percent and 35 percent, respectively.

Construction of affordable homes has also dramatically declined in recent years. New workforce housing and other affordable homes averaged 334 units per year from 2004 to 2012. However, production dropped to 152 units per year from 2013 to 2015. These declines were largely due to funding cuts at the federal level and the full expenditure of the state’s most recent

affordable housing construction bond program. The loss of these federal and state resources put increasing pressure on limited remaining resources to finance the development and preservation of affordable homes. Estimates provided for the 2015 to 2019 Rhode Island Consolidated Plan anticipate that production over the next five years will remain low, at only 136 units per year.

Every region in Rhode Island faces a high degree of affordable housing need. Cost burden is relatively high in all sub-regions of the State, though it is highest in Providence and surrounding communities. Since 2010, many suburban areas of Rhode Island have seen as little new construction as the hardest hit urban areas of the State.

The majority of buildings approved for construction since 2010 have been outside the urban core. When single family home activity is considered, Rhode Island’s southern regions (South County and the East Bay) account for 52 percent of the permits approved since 2010. Northeast and Northwest Rhode Island combined (Providence County, excluding Cities of Providence, Cranston and East Providence), account for 28 percent of single family permits, while Central Rhode Island (Kent County) contributed 13 percent of the state’s single family units. Trailing far behind, the Cities of Providence, Cranston and East Providence in combination accounted for just 8 percent of single family permits.

**TABLE 6: COST BURDENED HOUSEHOLDS**

Region	Cost Burdened Households 2009-2013	Total Households 2009-2013	% of Households Cost-Burdened
Central Rhode Island	26,400	67,498	39.1%
City of Providence	29,314	58,391	50.2%
Northeast Rhode Island	29,991	69,370	43.2%
Northwest Rhode Island	21,197	54,072	39.2%
South Rhode Island	17,523	48,256	36.3%
Southeast Providence County	20,290	49,075	41.3%
Southeast Rhode Island	20,344	52,376	38.8%
<b>Total</b>	<b>165,059</b>	<b>399,038</b>	<b>41.4%</b>

**TABLE 7: SINGLE FAMILY AND MULTIFAMILY UNITS PERMITTED**

Region	Single Family 2010 - 2014			MultiFamily 2010 - 2014		
	New Units Permitted	% of State SF Total	Avg Value per SF unit	New Units Permitted	% of State MF Total	Avg Value per MF unit
Central Rhode Island	450	13%	\$157,372	202	30%	\$82,636
City of Providence	62	2%	\$116,487	63	9%	\$95,262
Northeast Rhode Island	512	14%	\$181,717	53	8%	\$105,708
Northwest Rhode Island	498	14%	\$153,816	43	6%	\$105,893
South Rhode Island	1,166	33%	\$242,136	196	29%	\$100,193
Southeast Providence County	197	6%	\$127,762	18	3%	\$56,192
Southeast Rhode Island	686	19%	\$265,417	99	15%	\$70,650
<b>Grand Total</b>	<b>3,571</b>	<b>100%</b>	<b>\$206,456</b>	<b>674</b>	<b>100%</b>	<b>\$89,753</b>

The state’s multifamily units permitted were concentrated in areas outside of the urban core to an even greater extent than single family permitting. When combined, Central, South and Southeast Rhode Island accounted for 74 percent of all multifamily permits from 2010 to 2014. The City of Providence and Southeast Providence County (Cranston and East Providence) which accounted for only 8 percent of single family permits, accounted for just 12 percent of the state’s permitted multifamily units.

There simply was, and is, very little residential building activity of any type in Rhode Island’s urban communities. Particularly on the single-family side, much of the housing that is being built targets higher income homebuyers. The average values of single-family homes being built in South and Southeast Rhode Island, the sub-state regions with the highest concentration of issued permits, were 17 percent and 28 percent higher than the state average, respectively, and 50 percent greater than the values of homes permitted elsewhere in the state. The result is that few of the units actually being built in these areas are likely to be serving low or moderate income households.

**Affordable Housing Preservation Needs**

Given that the need for housing that is affordable far exceeds the current affordable housing stock and that future housing unit projections assume that the current affordable housing stock remains affordable, the preservation of the state’s existing affordable stock is critical. Preserving affordable apartments often involves the refinancing of existing debt, investing in the rehabilitation of the property, and extending affordability restrictions.

The main factors that contribute to the need to preserve affordable homes are:

- A development is near the end of the affordability period required as part of its current financing or by rental assistance agreements with the federal Department of Housing and Urban Development (HUD)
- A development has significant property rehabilitation needs and/or financial challenges

Rhode Island Housing recently evaluated the existing stock of affordable homes in its portfolio to determine which properties are likely to require preservation in the next five years. According to that analysis, more than 6,000 existing affordable apartments will need to be preserved. These units will need substantial reinvestment in order to address critical capital needs or financial difficulties by 2020. However, based on current and expected funding estimates, there will be preservation resources available for only 3,500 of the 6,000 units. The remaining units will require additional gap funding to preserve affordability.

The current financial and physical condition of each of these high-need developments was evaluated to estimate gap funding needed to successfully preserve the long-term physical and financial condition of each property. The projected gap is the difference between the first mortgage debt and 4 percent Low Income Housing Tax Credit (LIHTC) equity available to the property, and the total cost to preserve the apartment. The gap-funding needed for these developments ranges from \$15,000 to \$50,000 per unit, with the average per unit cost near \$25,000. The total gap-funding needed in the next five years to preserve these existing affordable apartments is estimated at \$85 million. The State’s Housing Production and Preservation Program, if it remains level funded through 2020, will provide at most \$15 million of this gap funding, reducing the overall need to about \$70 million. This does not include the cost to preserve the State’s public housing stock, which also faces significant preservation needs.

**TABLE 8: UNIT PRESERVATION**

Population Served in Development	Units in Developments Requiring Preservation by 2020		Total Units - Preservation Needed	Funding Gap Estimate Sum
	Moderate Investment Required	Substantial Investment Required		
Elderly	2,200	1,296	3,496	\$26,005,000
Family	559	2,037	2,596	\$55,430,000
Special Needs	0	96	96	\$3,840,000
<b>Total</b>	<b>2,759</b>	<b>3,429</b>	<b>6,188</b>	<b>\$85,275,000</b>

In addition to properties in Rhode Island Housing's portfolio, there are other affordable developments, such as HUD-financed and public housing properties, that potentially require substantial rehabilitation. Recent physical inspection scores for these properties show that nearly all far exceed minimum standards and requirements; however, in 2015, there were 13 properties that fell below a physical condition assessment score of 60 out of 100 possible points. Properties with scores below that level are required to take corrective action to remedy deterioration and deficiencies. With expiring affordability periods and waning funding sources for rehabilitation, it will grow increasingly difficult to maintain properties and will likely lead to reductions in current stocks of affordable housing.<sup>vi</sup>

In situations where preservation solutions are not feasible, affordable units may be lost from the inventory. Some units may be lost due to owner decisions to opt out of rental assistance programs in favor of moving to market rate rents; others may be lost to foreclosure, physical deterioration, or other financial difficulties. Since 2011, Rhode Island has lost 480 affordable units from its inventory due to these reasons. The preservation of the existing portfolio of affordable housing is critical to meeting the future housing needs of the state.

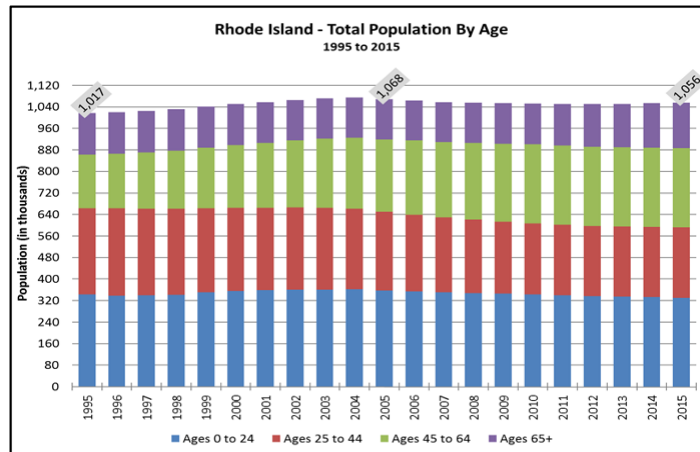
## Part 2: Population and Housing Projections

### Section 1: Population Change

#### Historic Trends:

Rhode Island's population is still recovering from effects of the recent economic recession. From 2005 to 2015, the state's population decreased by 1.1 percent, with most of that loss occurring from 2005 to 2011. Before 2005, the state's population was growing at an average annual rate of 0.6 percent for a decade. Total population increased by 5 percent from 1995 to 2005. This led to a historic high population of 1,067,610 in 2006.

CHART 12: RHODE ISLAND – TOTAL POPULATION BY AGE, 1995 -2015

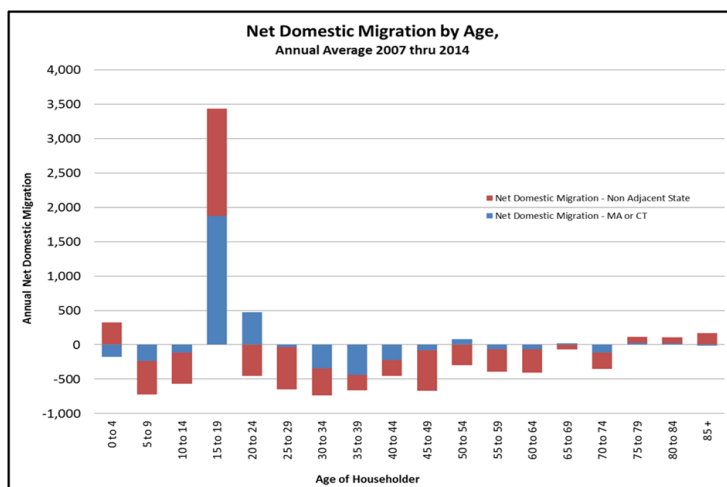


Factors influencing Rhode Island's population changes include:

- **Strong positive net international migration** – the number of people moving into the state from another country is greater than the number leaving the state for another country
- **Negative Net domestic migration** – the number of people moving into the state from other states is less than the number leaving the state for other states
- **Positive natural population change** - the difference between live births and deaths

**International Migration:** Net international migration has remained fairly consistent since 2000. From 2000 to 2009, net international migration resulted in an average increase of 3,362 persons annually. Starting in 2010, net international migration increased slightly to an average of 3,393 persons annually.

CHART 13: NET DOMESTIC MIGRATION BY AGE, 2007 - 2014



**Domestic Migration:** Net domestic migration has been less predictable on an annual basis, fluctuating from net positive domestic migration of over 3,000 persons in 2002 to net negative domestic migration resulting in the loss of nearly 11,000 persons per year just three years later. Although net domestic migration is still negative, it has improved enough to allow for the other components of population change to outweigh this small drag and produce net population increases on an annual basis.

While Rhode Island has been successful at attracting the college age population, the State lost many working age people (ages 25-49) and their children (ages 0 to 14). Of particular concern to the State's economy is that many 30-44 year olds left Rhode Island for Massachusetts or Connecticut from 2007 to 2014.

Domestic migration patterns changed between 2012 and 2015. Although total domestic migration remained negative, similar to the 2007-2011 time period, the number of persons leaving for other states declined and the number of persons migrating to Rhode Island from other states increased, resulting in a smaller net negative domestic migration number. This factor, in conjunction with a positive natural population increase and positive net international migration, led to annual increases in state population from 2012 to 2015.

**Natural Population Change:** Rhode Island's birth rate has dropped since 2010, while annual death rates have increased slightly. Since 2010, the natural population increase has averaged 1,350 annually, which is roughly half the annual natural increase of the prior decade. The decrease in fertility is a result of women aging out of child-bearing years, the out-migration of women entering child-bearing years, and the postponement of child-bearing.

### Population Projections

**Status Quo Scenario:** Assuming that migration patterns and natural increases continue at the average rates the State has experienced over the past four years, Rhode Island's population is projected to grow a total of 3.3 percent over the next decade, an increase of 34,500 by 2025.

**Stronger Growth Scenario:** Assuming stronger in-migration rates and lower out-migration rates due to strengthening of the Rhode Island economy, Rhode Island's population is projected to increase by 4.5 percent over the next decade. This translates into an increase of 47,379 persons by 2025. This scenario predicts that there will be an additional 14,263 persons by 2025 over the Status Quo Scenario projections.

CHART 14: COMPONENTS OF POPULATION CHANGE

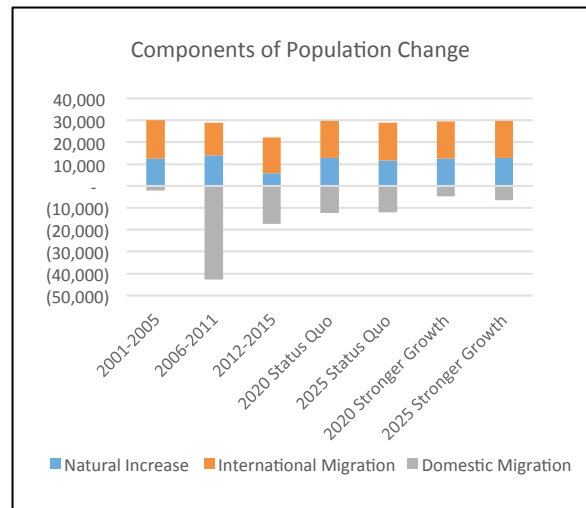


CHART 15: PROJECTED RHODE ISLAND POPULATION

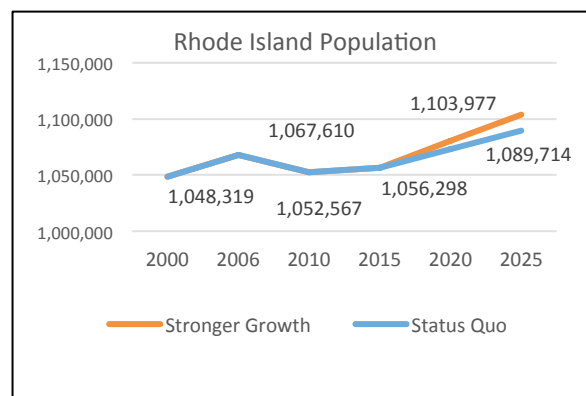
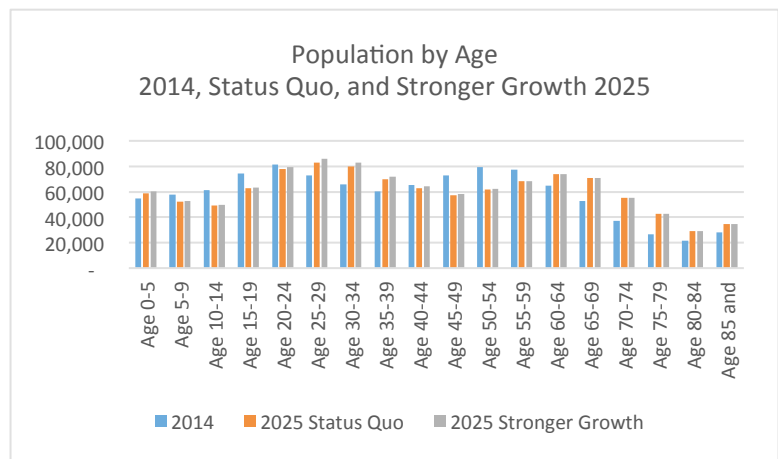


CHART 16: POPULATION BY AGE



## Population by Age:

In both scenarios, the largest population change will occur among those aged 65 and older. This group is projected to increase by 40 percent over the next ten years. Today, 16 percent of the state’s population is age 65 or older; by 2025, this percentage is predicted to rise to at least 21 percent.

Rhode Island is currently ranked highest in the country for percent of population age 85 and older. In 2014, 2.7 percent of Rhode Island’s population was age 85 and older, compared to 1.9 percent nationally. This segment of the population is projected to grow 22 percent between 2015 and

2025, which will have major consequences for the State’s future housing needs. Recent trends show that aging Rhode Islanders, particularly the oldest age groups, increasingly choose to “age in place” rather than move to group quarter facilities. As of 2014, 15 percent of the age 85 and older population lived in group quarters, down from 32 percent in 1990. As more of these older residents remain in their own homes, their housing preferences and needs for accessibility, health care and other services and supports will need to be met.

From 2000 to 2014, the state’s largest population age group shifted from 25-44 year olds to 45-64 year olds. However, due to demographic changes likely to occur in the next ten years, by 2025, the largest age group in the population will once again be the 25 to 44 year old age group. An aging Millennial group is projected to increase the ages 25 to 44 year old population by 12 percent over the next ten years. This follows national trends projected by the Pew Research Center that forecast Millennials overtaking the Baby Boomer population starting in 2015.<sup>vii</sup>

The population ages 45 to 64 is expected to decline by 11.5 percent by 2025, due to baby boomers aging into the 65 and older cohort, coupled with relatively smaller age cohort of 25-44 year olds aging into this age bracket over the next ten years.

CHART 17: POPULATION GROWTH - OLDER AGE GROUPS

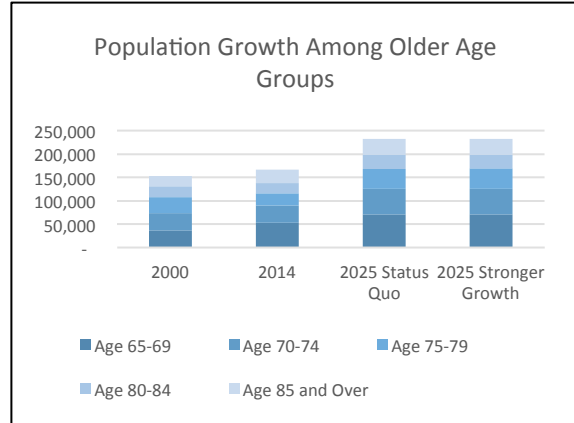


CHART 18: POPULATION GROWTH AGE 20 TO 44

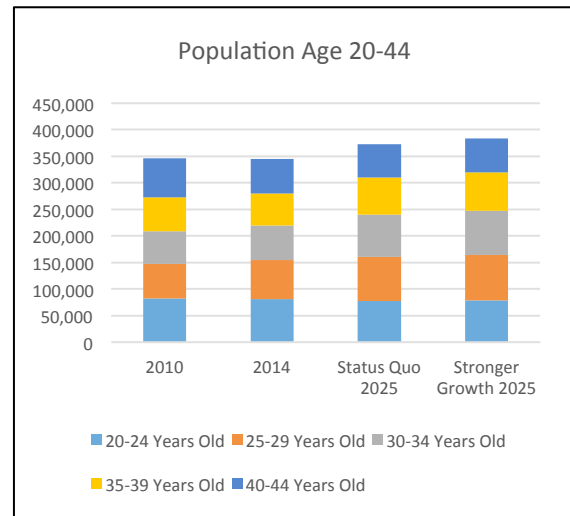
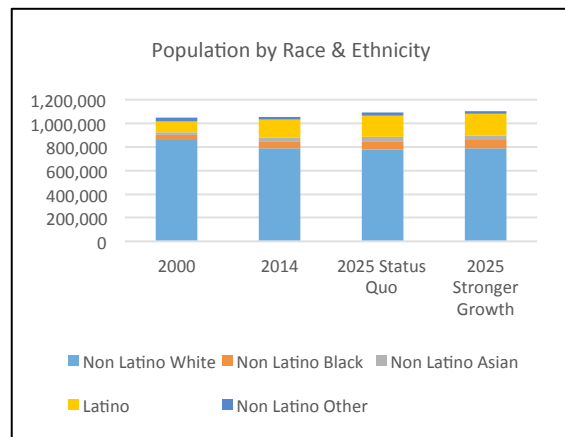


CHART 19: POPULATION BY RACE & ETHNICITY





## Population by Race and Ethnicity:

In addition to growing older, Rhode Island’s population is also becoming more racially and ethnically diverse. Twenty-five years ago, nearly 90 percent of the state’s population was non-Latino White; now, that figure is 75 percent. This pattern is similar to national trends - the country’s percentage of non-Latino White population declined from 69 percent in 2000 to 62 percent in 2014.

In 2000, the Latino population was 8.7 percent of the State’s population. Today, 14.0 percent of the population is Latino, a 63 percent increase. Similarly, the non-Latino Black and non-Latino Asian population are now 5.6 percent and 3.4 percent of the state’s population respectively. These are increases from 2000 when 3.9 percent of the state’s population was non-Latino Black and 2.2 percent of the population was non-Latino Asian.

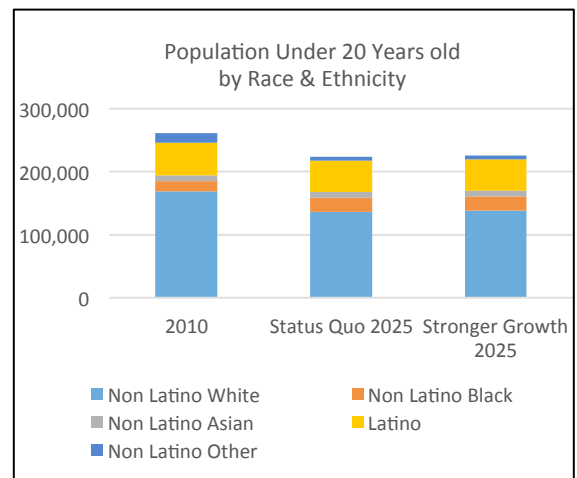
Regional population changes show the non-Latino White population fell between 2000 and 2014 at greater rates in Providence and Northeast Rhode Island (North Providence, Central Falls, Pawtucket, Lincoln and Cumberland). Meanwhile, persons of color in Central Rhode Island (Coventry, East Greenwich, Warwick, West Greenwich, and West Warwick) and Northwest Rhode Island (Burrillville, Foster, Glocester, Johnston, North Smithfield, Scituate, Smithfield, and Woonsocket) increased by 72 percent over that same period. Southeast Providence County (East Providence and Cranston) also had an above-average increase in persons of color.

TABLE 9: REGIONAL POPULATION

Region	Total Population			Non-Latino White Sub-Total			Persons of Color, Sub-Total		
	2000 Population	2014 Population	% Change	2000 Population	2014 Population	% Change	2000 Population	2014 Population	% Change
Central Rhode Island	167,090	165,253	-1.1%	158,086	149,709	-5.3%	9,004	15,544	72.6%
City of Providence	173,618	178,562	2.8%	79,451	65,111	-18.0%	94,167	113,451	20.5%
Northeast Rhode Island	177,035	178,157	0.6%	137,252	118,729	-13.5%	39,783	59,428	49.4%
Northwest Rhode Island	142,992	144,715	1.2%	131,185	124,406	-5.2%	11,807	20,309	72.0%
South Rhode Island	123,546	126,609	2.5%	116,134	116,212	0.1%	7,412	10,397	40.3%
Southeast Providence County	127,957	127,846	-0.1%	110,734	98,706	-10.9%	17,223	29,140	69.2%
Southeast Rhode Island	136,081	132,110	-2.9%	125,591	118,049	-6.0%	10,490	14,061	34.0%
<b>TOTAL</b>	<b>1,048,319</b>	<b>1,053,252</b>	<b>0.5%</b>	<b>858,433</b>	<b>790,922</b>	<b>-7.9%</b>	<b>189,886</b>	<b>262,330</b>	<b>38.2%</b>

**Status Quo Scenario:** Under this scenario, the persons of color population in Rhode Island is projected to grow to 29 percent of the population by 2025, driving the State’s overall population growth. This is an increase from 25 percent of the State’s population in 2014. The Latino population will continue to increase, comprising an estimated 16.3 percent of the State’s population by 2025. The non-Latino Black population and non-Latino Asian population are projected to increase by 9,800 and 3,000 persons respectively between 2014 and 2025. Their share of the state’s population will be 6.4 percent and 3.6 percent by 2025. During the same time frame, the non-Latino White population is projected to continue to decline by 8,600 persons, and will be 71.4 percent of the state’s population.

CHART 20: POPULATION UNDER 20 YEARS OLD BY RACE & ETHNICITY





In 2010, young, non-Latino Whites represented nearly 65 percent of the total population under twenty and the largest share of young people of color were Latinos, at 20 percent. By 2025, young, non-Latino Whites are projected to shrink to 61 percent of the under twenty population, while young people of color will make up nearly 40 percent of the youngest population group.

**Stronger Growth Scenario:** Under this scenario, the non-Latino White population is projected to marginally increase rather than decline by 2025. All other race and ethnic demographic changes are projected to be similar to the Status Quo Scenario outlined above by 2025.

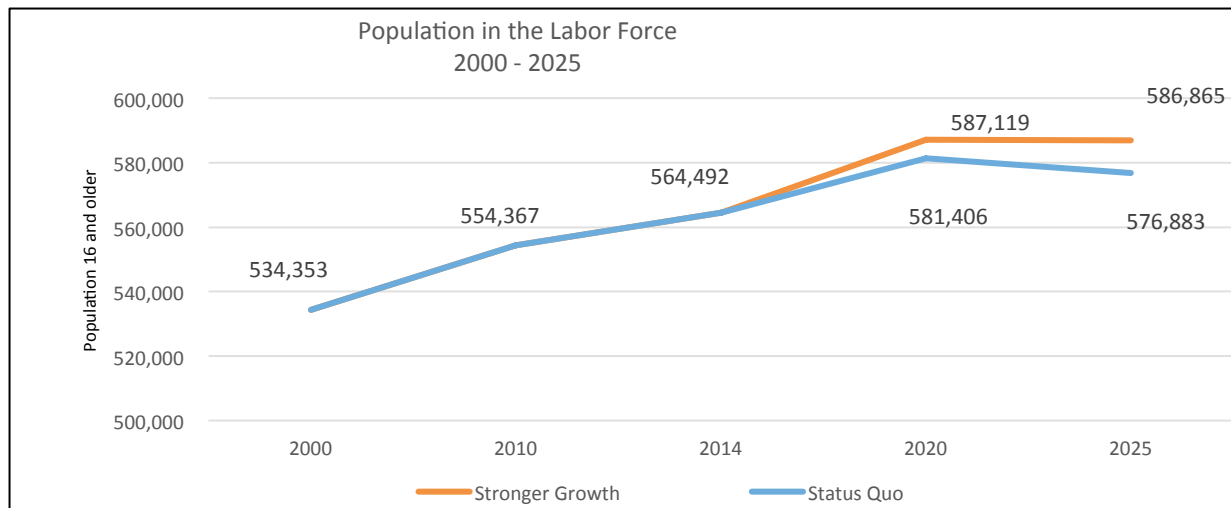
The population of Rhode Islanders under the age of 20 is projected to shrink, similar to the Status Quo Scenario. However, the share of the young population for non-Latino Whites and non-Latino Asians is projected to be marginally greater than projected under the Status Quo Scenario.

## Section 2: Labor Force Change

**Status Quo Scenario:** In 2014, 564,492 persons age 16 and older were in the labor force, a participation rate of 65.9 percent. That number is projected to grow to 576,883 persons in 2025 with a labor force participation rate of 62.1 percent. Due to growth in older age groups, there is a projected decline of 4,523 persons in the labor force population from 2020 to 2025, though this will follow a growth of 16,914 persons in the labor force from 2015 to 2020.

**Stronger Growth Scenario:** The labor force is projected to reach nearly 587,000 by 2025, a 10,000 increase over the Status Quo Scenario. The rate of growth is projected to level off from 2020 to 2025 due to an increase in the younger working age population caused by higher rates of in-migration and lower rates of out-migration. The labor force participation rate is projected to increase slightly from 62.1 percent to 62.3 percent.

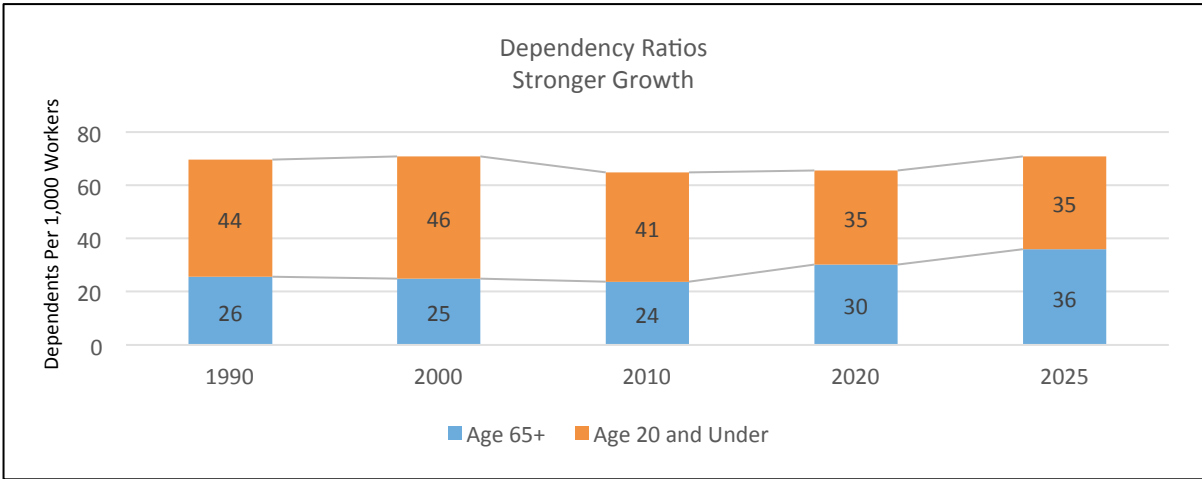
CHART 21: POPULATION IN THE LABOR FORCE



Replacing workers in the labor force will be important as Rhode Island’s population continues to age. As the population ages over time, Rhode Island’s ratio of persons dependent on a working population will also increase. The number of Rhode Island’s older age dependents is projected to grow to 36 dependents per 1,000 working-age persons by 2025, up from 24 dependents in 2010.

The ratio of youngest dependents (ages 0-20) to working-age persons will remain stable. This is due to the large decline in the number of children born between 2000 and 2013 and the slow growth in replacing the younger population that moved out of Rhode Island over that decade.

**CHART 22: DEPENDENCY RATIOS, STRONGER GROWTH**



**Section 3: Household Change**

**Historic Trends:**

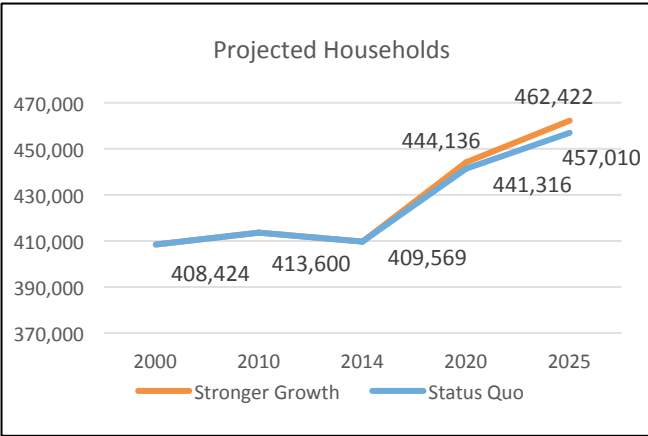
From 2000 to 2014, the State’s total population grew marginally at 0.11 percent, but the number of households grew by 0.28 percent. The rate of household growth exceeded population growth due to shifts in the composition of the population toward an older population that traditionally has smaller household sizes. As this demographic shift continues, the future population will need more housing units to meet the increased household need caused by smaller household sizes typical of older householders.

**Household Projections**

**Status Quo Scenario:** By 2025, 457,010 households are projected for Rhode Island, an 11.6 percent increase from 2014, and representing 47,441 additional households. This far outstrips the population growth rate of 3.3 percent.

**Stronger Growth Scenario:** By 2025, 462,422 households are projected, 5,412 more than Status Quo Scenario projections. This increase represents a projected 12.9 percent increase in the number of households, compared to a population growth rate of 5 percent.

**CHART 23: PROJECTED HOUSEHOLDS**



There will also be changes in the composition of householders by age over the next 10 years. Under the Status Quo Scenario, householders ages 45 to 64 are projected to comprise 33.0 percent of all

households by 2025, which is an eight percentage point decline compared to the prior decade. Householders age 65 years or older are projected to be 32.2 percent of households in 2025, which is a seven percentage point increase compared to census estimates from the prior decade.

If recent trends continue, other age groups will see no material change in their share of households. For instance, younger householders, those ages 15 to 29, are projected to represent 11.3 percent of households by 2025. This is a decline of less than one percentage point from the previous decade. Small changes are projected, as well, for householders ages 30 to 44, declining by half a percentage point and remaining at 23 percent of all households. It is important to note that even though the share of all households in certain age groups may decline, counts of all households increase over time.

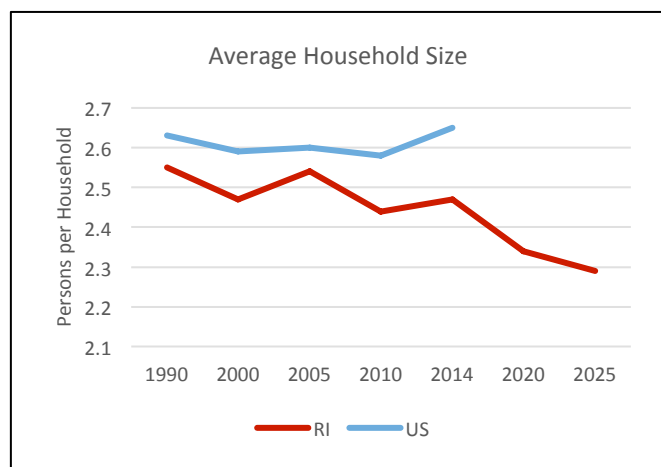
A primary factor driving projected increases in the number of households is a projected decrease in household size. Average household size in Rhode Island has been consistently below the national level. Rhode Island's smaller household sizes are due, in part, to a larger proportion of older persons and a smaller proportion of persons of color, when compared to national rates. Younger households are likely to have more persons in their households than

households headed by persons age 65 and older, primarily because they are more likely to be family households with children.

Households headed by persons of color also tend to be younger and are more likely than non-Latino White households to have a higher number of persons in their households. In 2014, 14.5 percent of the US population was age 65 and older compared to 15.8 percent in Rhode Island, and 38 percent of the population was persons of color, compared to 25 percent in Rhode Island.

In 2014, Rhode Island's overall average household size was 2.47 persons. For households headed by a person 65 and older, the average size was much smaller, at 1.5 persons per household. Under both the Status Quo and Stronger Growth Scenarios, a shift toward an aging population will likely result in smaller household sizes. Both scenarios are projected to see household sizes drop to 2.3 persons per household by 2025. This is largely driven by projected increases in householders age 65 and older.

CHART 24: AVERAGE HOUSEHOLD SIZE, 1990 - 2025



## Households by Age and Type

As people age and form households, their preferences for household type and composition shifts. Younger households are more likely to live with unrelated people. As these younger persons age, they are likely to form family households and have children. This is illustrated in the shift in households headed by older persons with 2, 3, or 4 and over persons. Households headed by persons age 65 and older are likely to live alone or in smaller households.

**Status Quo Scenario:** Household changes for older householders are projected to change the composition of all Rhode Island households by 2025. Most growth will be for households headed by someone age 65 and older. Households headed by someone age 65 and older are projected to increase from 23 percent of all households to 32 percent of all households by 2025.

Households with four or more persons and non-family multi-person households (mostly younger renters) are projected to see only marginal increases due to previous population loss of younger Rhode Islanders, smaller projected household sizes, reduced birth rates, and negative net domestic migration.

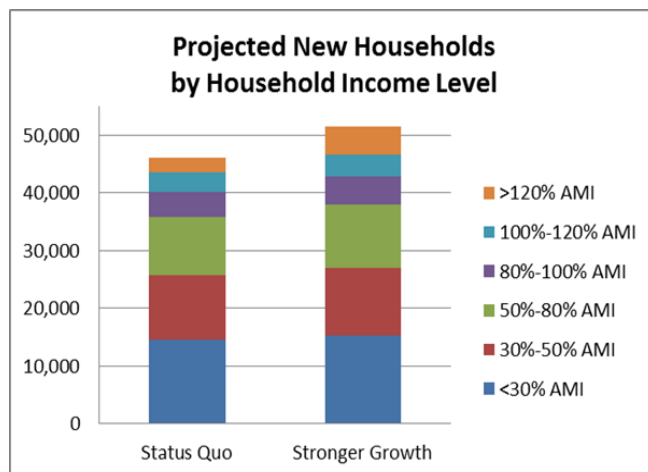
Households headed by an older person are more likely to have fewer members than younger households. Given the expected increase from 2014 to 2025 in the number of householders age 65 years or older, which typically have higher rates of single person households, single person households are projected to grow by over 16,300 to 32 percent of households, compared to 30 percent in the prior decade.

**Stronger Growth Scenario:** With stronger population growth among younger working age persons, there will be a larger increase in the number of householders ages 15 to 29 and 30 to 44 compared to the Status Quo Scenario. There will also be a smaller net loss for households ages 45 to 64 under the Stronger Growth Scenario. Accordingly, all household types will see small growth in these age groups.

## New Households and Area Median Income

**Status Quo Scenario:** If current population trends continue, 94 percent of new households, 43,355 households, are projected to earn less than 120 percent AMI. These new households are projected to

CHART 25: PROJECTED NEW HOUSEHOLDS BY AREA MEDIAN

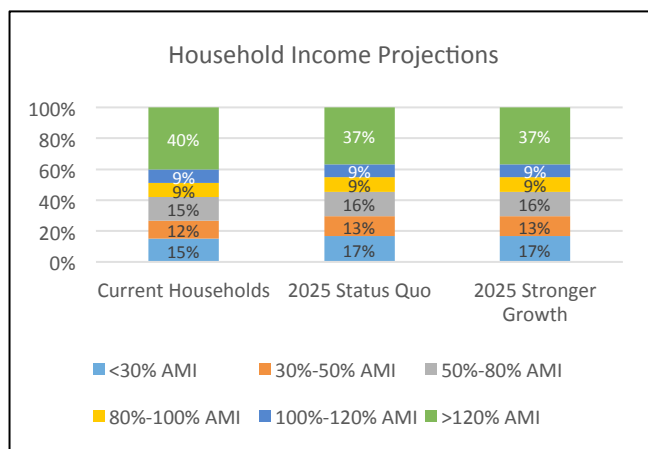


increase the share of households under 120 percent AMI from 60 percent to 63 percent by 2025. Furthermore, over half of the new households are projected to be those with the lowest incomes. Households with incomes less than 50 percent AMI are projected to increase 23.4 percent from current estimates, an increase of 25,694 households.

This increase in lower income households is driven largely by the sub populations that tend to have lower projected growth in incomes.

This includes seniors with fixed incomes, Millennials just beginning their careers and persons of color.

CHART 26: PROJECTED HOUSEHOLDS BY AREA MEDIAN INCOME



At the same time, the population of households in what would typically be their highest earning years (ages 45-64) is projected to decline. Under current growth trends, the share of households with the highest incomes, those above 120 percent AMI, is projected to decline from a current rate of 40 percent to 37 percent in 2025, however the number of households in this income bracket is projected to rise by 2,545 households calculated from recent estimates.

**Stronger Growth Scenario:** With stronger population growth, there is stronger projected growth for households in higher income brackets due to projected increased in-migration of the working age population, ages 20-44. The number of new households that will earn 120 percent of AMI or more under the Stronger Growth Scenario will be more than double the size of the new households in this income level in the Status Quo Scenario. Unlike the Status Quo Scenario, stronger growth will lead to a slightly larger increase in upper income households than middle income households. An estimated 9.2 percent of new households will earn over 120% AMI compared to 7.6 percent of new households earning between 100% and 120% AMI.

Given projections that nearly all new households, 94 percent, will have incomes under 120 percent of AMI, and because there is a current, persistent gap in affordable housing, household projections indicate that much of the new projected housing unit demand will need to be affordable to moderate and lower income households.

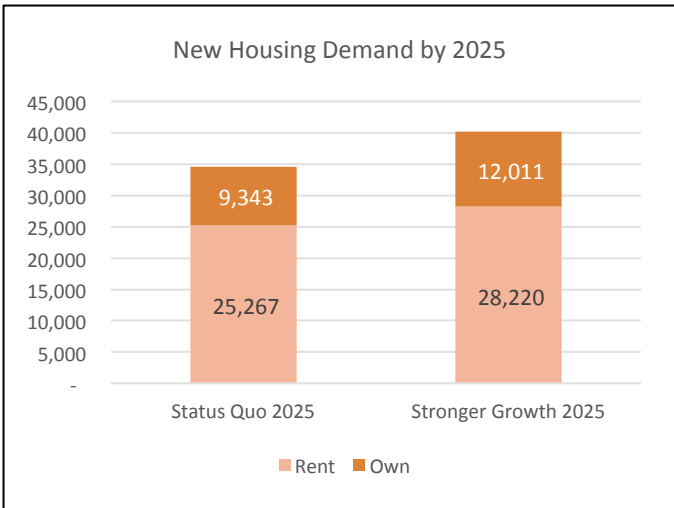
**Section 4: Housing Unit Change**

As of 2014, there were 462,930 housing units in Rhode Island. Of those 409,569 were occupied with households. The remaining housing units were unoccupied units that fall into several different categories: seasonal or vacation homes, vacant but for rent or sale, and temporarily off the market for repairs or foreclosure.

If current, Status Quo population growth conditions hold, there will be 47,441 additional households in Rhode Island by 2025. Under the Stronger Growth Scenario, household growth will top 52,853. This growth in the number of households will create demand for new housing units.

To assess how many new housing units will be needed to accommodate new household growth by 2025, several factors were considered. First, future counts of housing unit type and household size were based on current household preferences for ownership or rental, single family or multi-unit properties. The difference between current household types and future household types created an initial count of growth in household needs to consider. Then, housing vacancy was considered to ensure that Rhode Island maintains a healthy housing market over the next decade.<sup>viii</sup>

**CHART 27: NEW HOUSING DEMAND BY 2025**



Natural vacancy rates of 1.5 percent for owner properties and 7.5 percent for rental properties were compared to the State’s actual vacancy rate from the decennial census to be consistent with baseline data. A surplus of vacant units above the natural market led to an adjustment in the number of new units needed; vacant for sale or for rent units could be filled by some new households before additional units would need to be developed.

Finally, building permits initiated between 2010 and 2014 were removed from the count of projected new housing units needed as these also contribute to housing some of the new households.

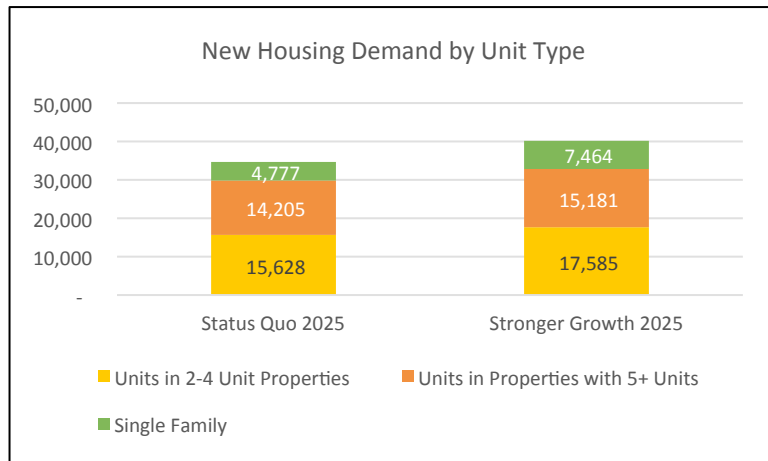
After accounting for these factors, a new housing unit demand count was determined to house the remaining new households for both the Status Quo and Stronger Growth Scenarios.

**Status Quo Scenario:** The State is projected to need 34,610 new units to meet household demand by 2025. This is an 8 percent increase in the number of housing units from 2014.

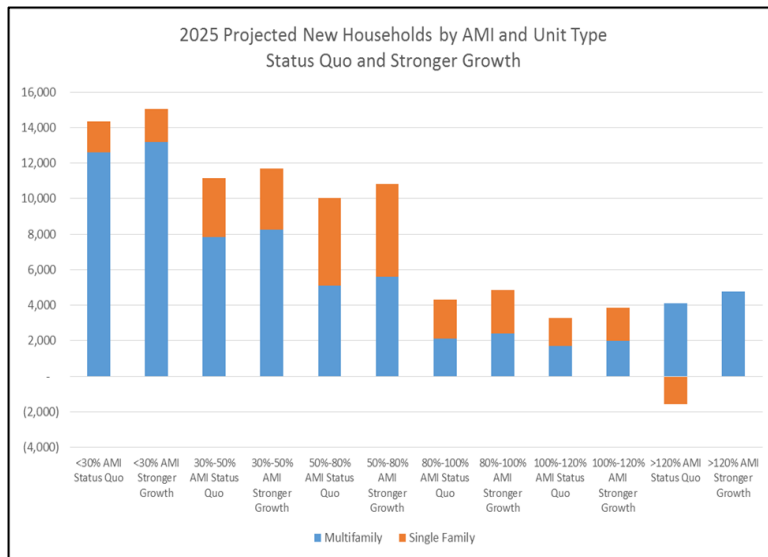
**Stronger Growth Scenario:** Housing unit need is projected to grow by 10 percent or 40,231 units, by 2025.

Given population growth and household composition changes, it is projected that most new unit demand will be for rental properties and multifamily properties. Under the Status Quo Scenario, 73 percent of new housing units needed by 2025 will be rental units. This rate drops slightly to 70 percent under the Stronger Growth Scenario

**CHART 28: NEW HOUSING DEMAND BY UNIT TYPE**



**CHART 29: PROJECTED NEW HOUSEHOLDS BY AREA MEDIAN INCOME (AMI) AND UNIT TYPE**



due to small increases in households, primarily those of working ages, preferring single family homes. Multifamily units, commonly found in Rhode Island as duplexes, triple-deckers, courtyard apartments, or apartment complexes, comprise 86 percent of projected new unit demand under the Status Quo Scenario, whereas they account for 81 percent of projected demand under the Stronger Growth Scenario.

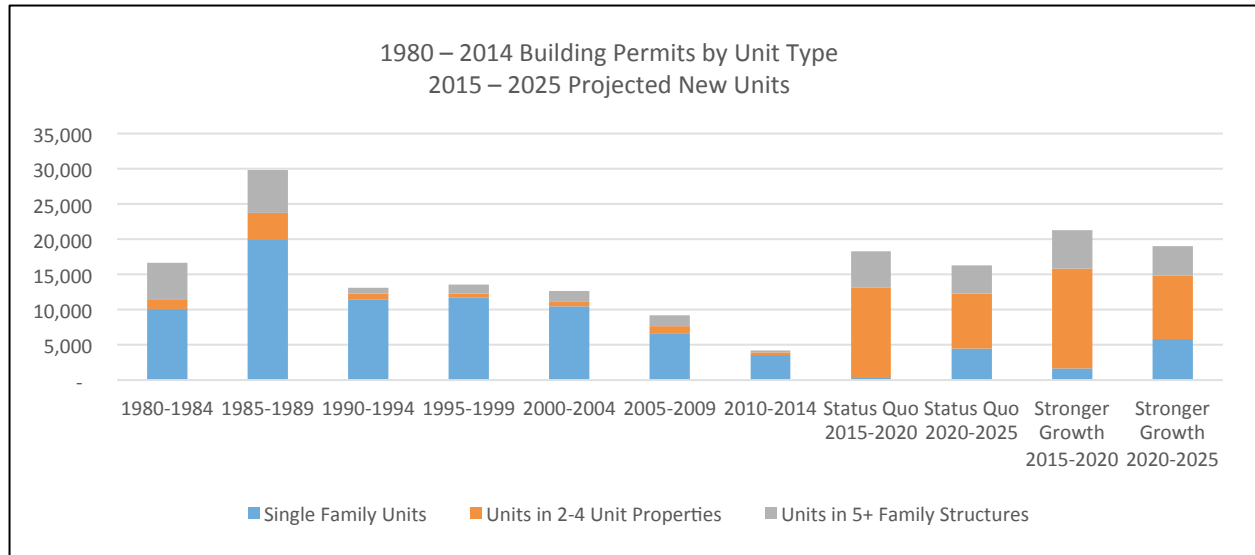
Due to current housing cost burdens and the projected growth in low- and moderate-income households, many projected new housing units will need to be affordable to low and moderate income households.

Under either scenario, by 2025, 72 percent of new households with incomes at or below 80 percent of the area median income are projected to live in multifamily properties. While not all new households will require a new unit to be added to the housing stock, there will be a need to increase the supply of housing units that are affordable to lower income households given that lower income households are projected to increase over time.

In light of Rhode Island’s very low levels of housing unit production over the past three decades, there will need to be an increase in production, particularly for multifamily properties, to meet projected new housing unit demand.

In the past decade there were just 13,400 building permits issued statewide. Of that number, only 3,255 were for multifamily units. Meeting future projected multifamily demand will require the production of about 30,000 units over the next decade, which is almost ten times the number of multifamily permits issued in the past 10 years.

**CHART 30: 1980 – 2014 BUILDING PERMITS BY UNIT TYPE**

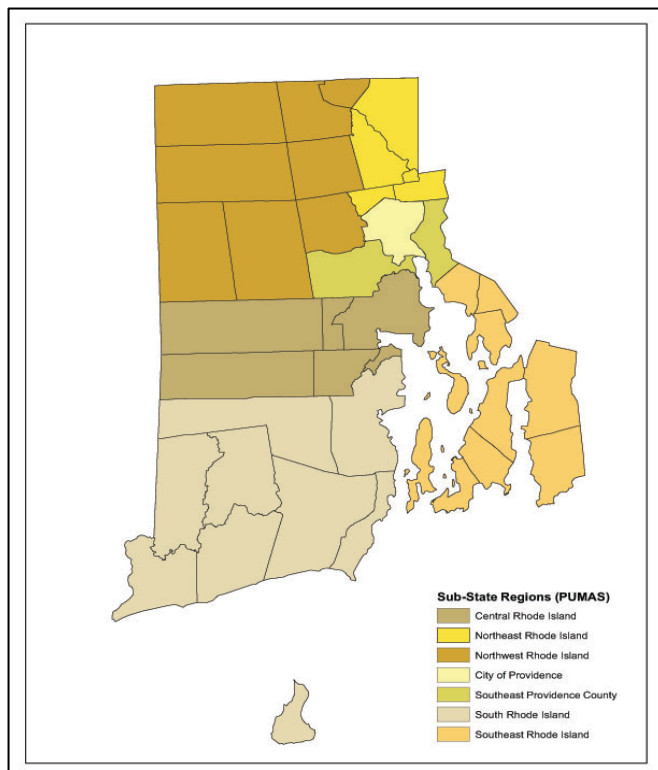


### Section 5: Regional Change

Rhode Island sub-regions will experience population and household changes to varying degrees under the Status Quo Scenario and the Stronger Growth Scenario. The sub-state projections forecast population by age and householders by age by 2025 for seven regions across the State. Over the next decade, population and household changes will require production of new housing units across the State to ensure a healthy housing market and adequate shelter for new residents throughout Rhode Island’s communities.

For the purpose of producing reliable population and household growth projections at a sub-state level, Rhode Island’s municipalities were grouped into the following seven sub-state regions based on US Census Bureau Public Use Microdata Survey Areas (PUMA), found in Public Use

**CHART 31: SUB-STATE REGIONS, PUMA**





Microdata Survey data (PUMS). PUMS data are the basis for many of the tables used to create the sub-state projections and provide a reliable estimate of population and households in those areas.

The sub-state regions, and the municipalities that fall into each region, are as follows:

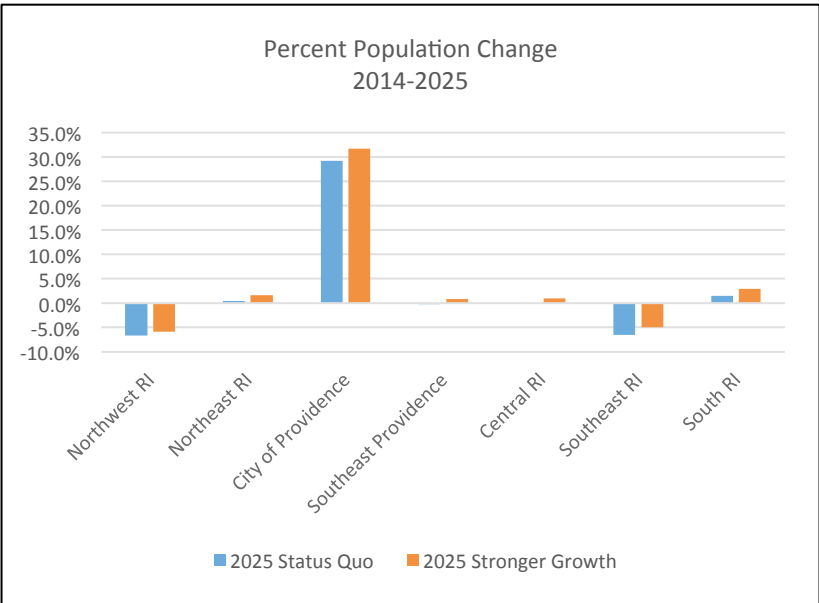
1. Northwest Rhode Island  
Burrillville, Foster, Glocester, Johnston, North Smithfield, Scituate, Smithfield, Woonsocket
2. Northeast Rhode Island  
Central Falls, Cumberland, Lincoln, North Providence, Pawtucket
3. City of Providence
4. Southeast Providence County  
Cranston, East Providence
5. Central Rhode Island  
Coventry, East Greenwich, Warwick, West Greenwich, West Warwick
6. Southeast Rhode Island  
Barrington, Bristol, Jamestown, Little Compton, Middletown, Newport, Portsmouth, Tiverton, Warren
7. South Rhode Island  
Charlestown, Exeter, Hopkinton, Narragansett, New Shoreham, North Kingstown, Richmond, South Kingstown, Westerly

**Regional Population Projections**

**Status Quo Scenario:** By 2025, two of the seven sub-state regions are projected to see population growth, three will remain stable, and two will see small population declines. Most of the State’s population growth over the next decade is projected to be in the city of Providence – the city’s population is forecasted to expand by 29 percent if current trends continue. Northwest Rhode Island and Southeast Rhode Island are projected to see population declines of 7 and 6 percent, respectively.

Providence’s projected increase is attributed to increases in the younger population and increases in population age 20-44 in addition to a senior population increase.

**CHART 32: PERCENT POPULATION CHANGE, 2014 - 2025**



**Stronger Growth Scenario:** By 2025, two of the seven sub-state regions are projected to see population growth, three will remain stable, and two regions will see small population declines. The city of Providence is projected to see 32 percent new population growth compared to 29 percent under Status



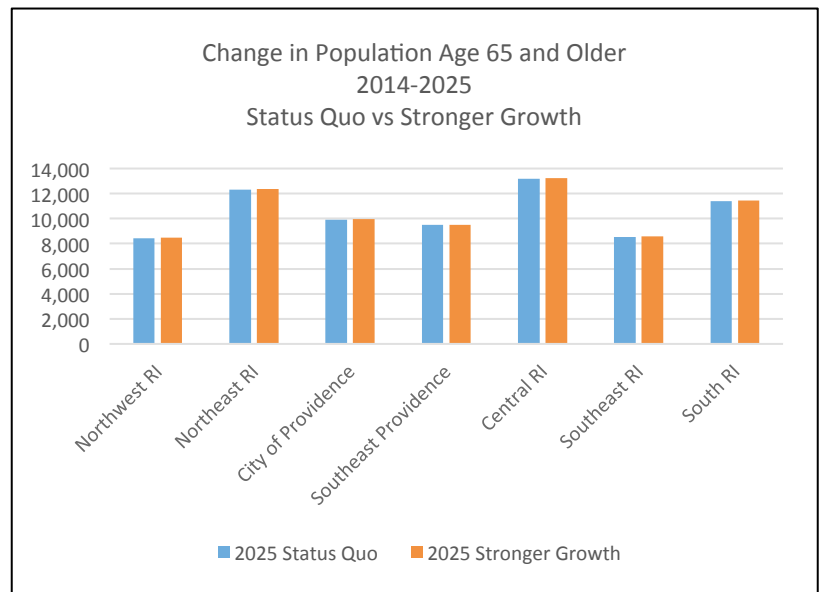
Quo. In addition, under this scenario, Central Rhode Island shows small population growth, compared to no real projected population change under the Status Quo Scenario.

### Regional Age Changes

**Status Quo Scenario:** By 2025, every sub-state region will see growth in persons age 65 and older. Increases range from nearly 8,500 more persons in Northwest Rhode Island to an increase of 13,200 persons in Central Rhode Island. Providence’s projected population growth for persons age 65 and older is nearly 10,000 persons, or a 63 percent increase from current estimates. While Providence will not see the largest increase in the number of older residents, its percentage increase will be among the highest in the sub-state regions.

While all sub-state regions are projected to experience population growth in the oldest resident category—persons age 85 and older – the largest increases will be in and around the Urban Core. Fifty-eight percent of projected growth of persons age 85 and older, nearly 4,000 additional persons, will live in the city of Providence and surrounding communities to the north and south: Central Falls, Cranston, Cumberland, East Providence, Lincoln, North Providence, and Pawtucket. These communities also have high proportions of an aging housing stock, older homes that may have deferred maintenance, are less likely energy efficient, and, therefore, may be increasingly difficult for older residents to properly maintain.

CHART 33: CHANGE IN POPULATION AGE 65 AND OLDER, 2014 - 2025



Over the next decade, the State’s youngest population – newborns to those age 4 – is projected to increase in two sub-state regions and decline in five. The South region of the State is projected to see increases of nearly 400, and the City of Providence is projected to experience an increase of 8,000.

Under the Status Quo Scenario, the City of Providence is the only region with a projected increase for the school age population age 5 to 19. We project an increase of over 1,400 children, about 4 percent, over current levels. Other sub-state regions are projected to experience declines between 11 and 36 percent in this age category. For example, South Rhode Island, including communities from Westerly to North and South Kingstown, is projected to see a drop of over 9,100 school age children by 2025, which is a 36 percent decline.

To estimate where future households may choose to live, current patterns of household formation and preferences for location were compared. Based on current placement of younger workers, the majority of Rhode Island’s younger working-age population age 20-44 is projected to seek out the urban center and the southern areas of the state. Under

the Status Quo Scenario, Providence is projected to have a total of 102,000 younger working age persons in Providence by 2025, which is an increase of 26,000 persons, or 35 percent. Southern communities are projected to have a younger worker population growth of more than 9,400 persons.

**Stronger Growth Scenario:** There is no substantive difference in growth between the two scenarios for persons age 65 and older within any sub-state region. As in Status Quo Scenario, the City of Providence is projected to be the only region that will experience an increase in school age population, those age 5 to 19. Declines are projected for school age populations in all other sub-state regions.

The younger working age population - ages 20 to 44 - is projected to grow in two of the seven regions. In Providence, this population is projected to increase by 39 percent under this scenario, compared to a 35 percent increase under the Status Quo Scenario. Likewise, in southern Rhode Island, population growth in this category is projected to increase by 30 percent under this scenario, compared to 26 percent under Status Quo Scenario. The East Bay communities will see nearly 1,500 more persons age 20 to 44 under the Stronger Growth Scenario, compared to 21 additional persons in this category under the Status Quo Scenario.

CHART 34: CHANGE IN SCHOOL AGE POPULATION, 2014 - 2025

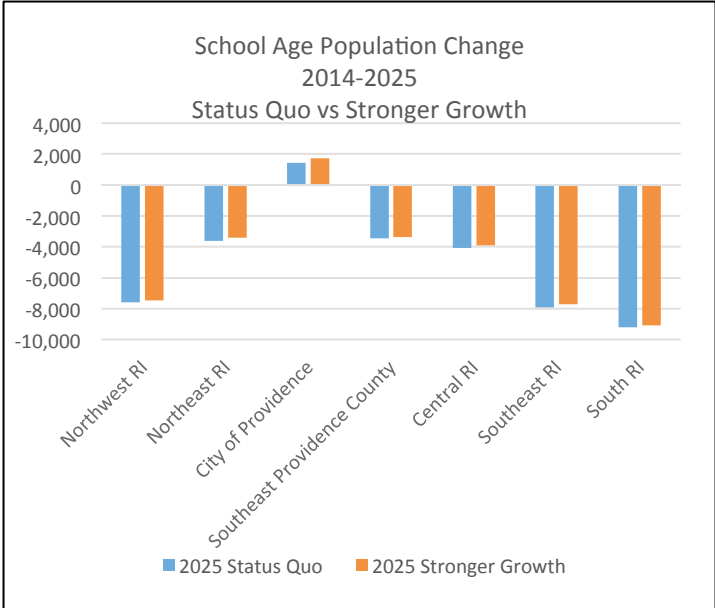


CHART 35: CHANGE IN POPULATION AGE 20 TO 44, 2014 - 2025

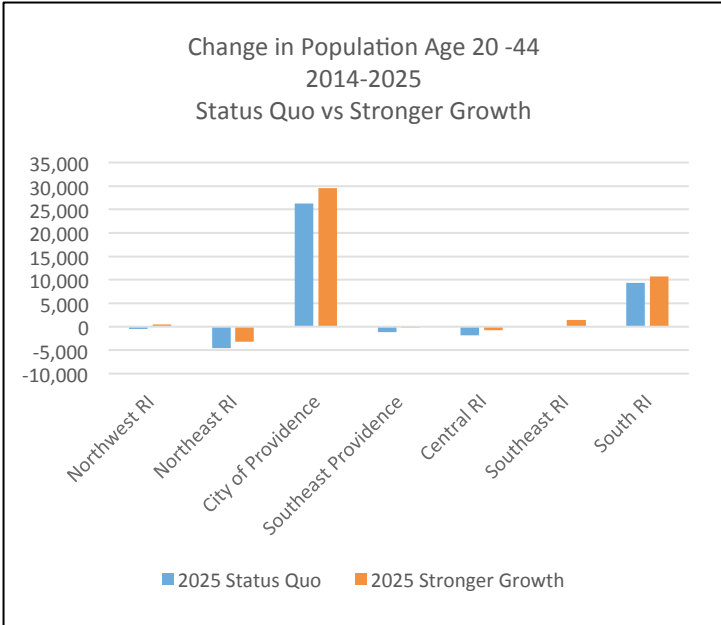
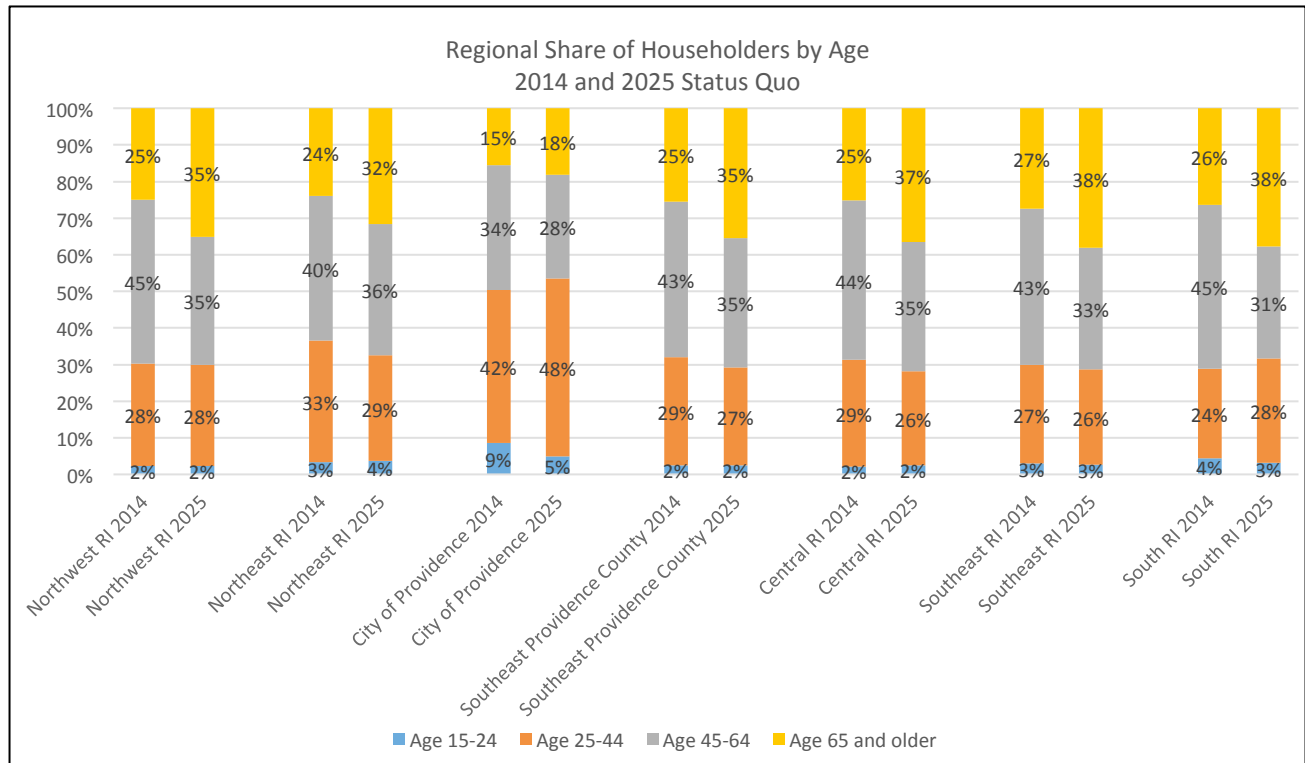


CHART 36: REGIONAL SHARE OF HOUSEHOLDERS BY AGE



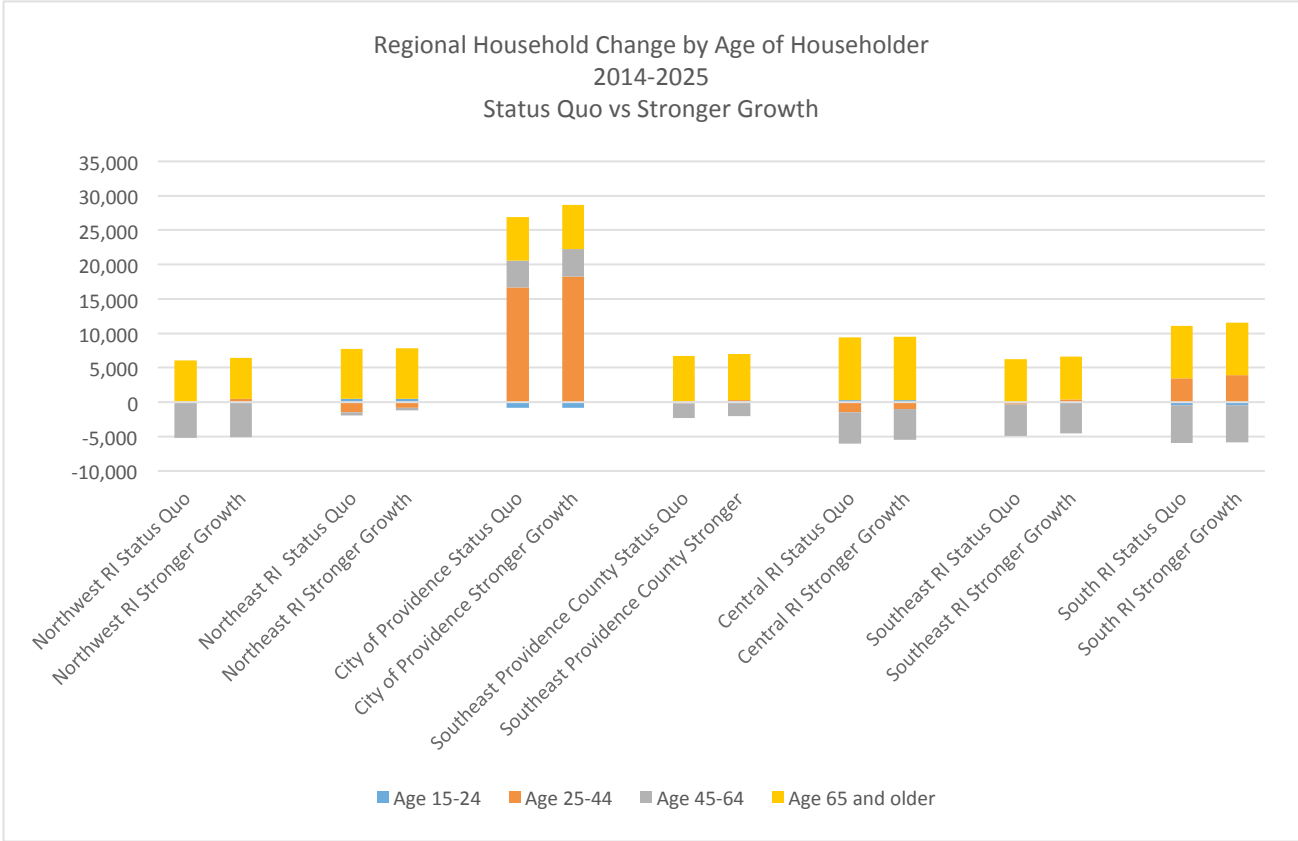
### Regional Household Change

While households are projected to increase across the State, larger population increases in Providence are projected to result in a 43 percent growth in households in the city by 2025 under the Status Quo Scenario. This projected growth is higher than any other sub-state region; the next highest growth is projected for South RI, with a 10 percent increase. Other sub-state region projections range from two percent growth in the Northwest communities to nine percent in Southeast Providence County: Cranston and East Providence. Similar household growth patterns are projected under the Stronger Growth Scenario, with the number of total households increasing by one percentage point above the projected increase under the Status Quo Scenarios. The one exception is the City of Providence, which is projected to experience household growth of 46 percent under this scenario, compared to 43 percent under the Status Quo Scenario.

All sub-state regions are projected to experience increases in households headed by a householder age 65 and older, and the majority of projected growth in older householders will occur in suburban and rural settings under both the Status Quo Scenario and the Stronger Growth Scenario. About 59 percent of all new households age 65 and older will be outside the urban core.

Looking at this another way, we project that householders age 65 and older will constitute more than a third of all households in several sub-state regions by 2025. The share of older homeowners is projected to grow to between 35 and 38 percent of all households in the Northwest, Central, East Bay, and Southern sub-state regions. Given this growth in older households, many current housing units will be unavailable to any new households projected to move to the region. Therefore, new housing unit need is projected for most regions across the state to meet the anticipated demand.

**CHART 37: REGIONAL HOUSEHOLD CHANGE BY AGE OF HOUSEHOLDER, 2014 - 2025**



**Regional Net New Housing Unit Demand**

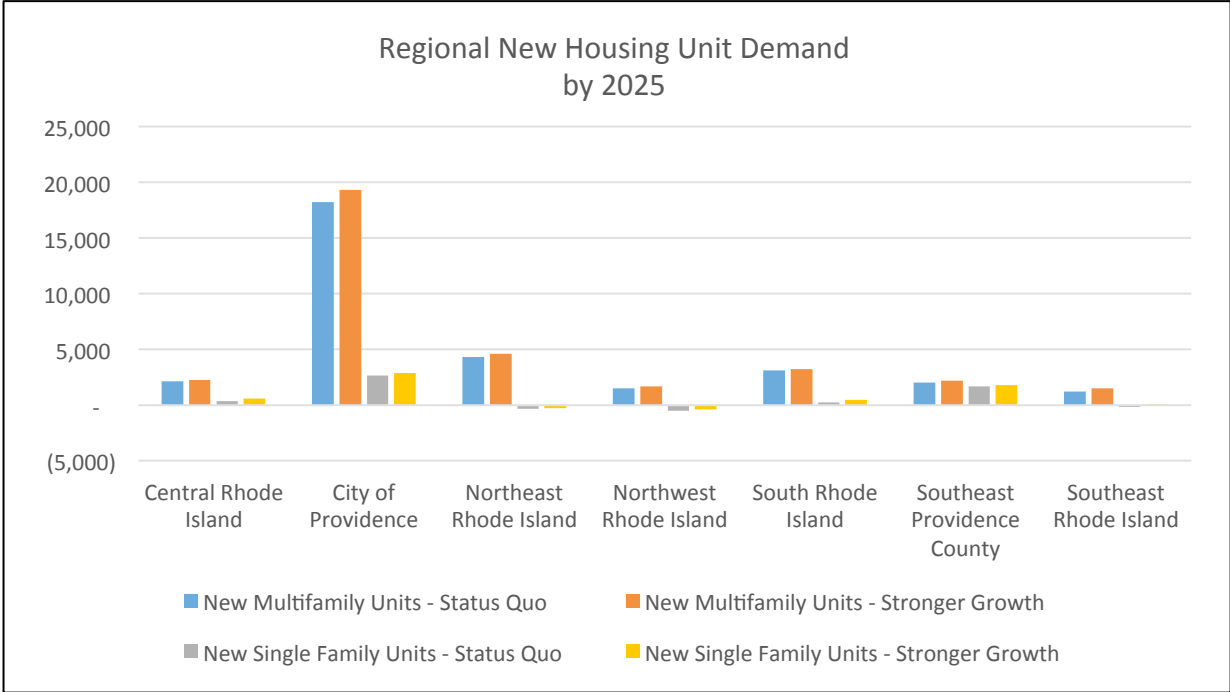
**Status Quo Scenario:** Based on population and household changes, all sub-state regions are projected to need some level of new housing unit production. Future household preferences based on current household patterns estimate that multifamily units are projected to be needed across all sub-state regions, and the City of Providence is projected to account for 18,000 new multifamily units, which is more than half of the state’s total new demand. Other sub-state regions show varied demand for new multifamily units, ranging from just over 1,100 new multifamily units in the Southeast RI region to nearly 5,000 new units in the Northern region.

As described above (Part 2, Section 4), housing production in Rhode Island between 2005 and 2014 was extremely low, and most building permit activity was for single family units. In the Northeast, Northwest, and Southeast sub-state regions, single family home production over the past decade exceeded the number of new single family homes projected to be needed over the next 10 years.

This suggests a need to shift new single family home production from the Northeast, Northwest, and Southeast RI sub-regions to other sub-state regions.

**Stronger Growth Scenario:** Increased need for additional multifamily and single family units is projected under this scenario. Each sub-state region is projected to have increased need for multifamily units. Single family unit production will still need to shift from both Northern sections of the state and a small increase is projected for the Southeast RI region.

CHART 38: REGIONAL NEW HOUSING UNIT DEMAND BY 2025



## Part 3: Voices of Rhode Islanders

### *Section 1: Overview and Key Findings*

After gathering and reviewing extensive quantitative data, HWRI conducted qualitative focus groups in order to hear directly from Rhode Islanders about their experiences, concerns and aspirations regarding housing. Feedback was sought from four demographic groups: Low Income Individuals; Millennials; Latinos; and Seniors. This qualitative research complemented the preceding quantitative analyses.

While the quantitative data outline a map of where we are and where we might be going in the aggregate, these focus group discussions revealed a rich texture of hope, frustration, intent and desires that should inform housing policy and strategies in the State. Rhode Islanders' actual experience is what colors the map before us and what gives depth and meaning to what we see ahead.

Some of the themes that resonated loudest among the groups:

- **Poor quality of housing conditions:** A predominant theme for the renters was a sense of frustration with the physical upkeep of their apartments, whether owned by a public agency or a private landlord. The renters felt that they often had to call the owner repeatedly for repairs to be made, and that the tenant's overall health and safety were not viewed as a priority.
- **Public infrastructure is lacking:** There were also criticisms of the lack of parks, recreation, bike lanes, green spaces, snow removal and inadequate public transportation.
- **Need education on how to be a homeowner:** In the three groups which had little to no homeownership among participants, there was much interest in the topic, and a desire for more education regarding homeownership, including an interest in co-ownership situations. There was also interest in more education regarding landlord-tenant relations.
- **Seniors planning ahead:** The seniors were trying to be pro-active in planning for their future housing needs, when they would be no longer able to afford or physically keep up their houses or drive, but there was not as much discussion about leaving the State as expected.
- **Public policy is not benefitting renters or owners:** The state of the economy in Rhode Island was mentioned in all of the focus groups. The economy is inextricably tied to getting a job, one's income, the ability to pay rent or buy a home, and the ability to pay the costs related to housing. According to public officials are out of touch with the needs of renters, the abuses of landlords, the high costs of housing and the advocacy needs for those that undergo housing bias. Enforcement of tenant rights and code regulations are seen as an afterthought of government.

## *Section 2: Focus Group Summaries*

To better understand the specific issues facing each population subgroup, the following summaries put the reflections of the focus group participants into common observations.

### **Seniors**

- Home-related expenses are increasing every year, stretching seniors' fixed incomes.
  - Property taxes, water and sewer bills, insurances, and other home-related costs are already too high for many older Rhode Islanders, and can make owning a home difficult to afford, even if the home is owned free and clear. Many focus group participants feel satisfied with current housing arrangements but fear that any crisis would make living in a house no longer an option due to these costs.
- Seniors are not eager to enter subsidized or unsubsidized senior housing and are willing to move into alternative arrangements if forced to leave the home they own.
  - Having access to family and community is critical to senior households, who are not sure what to expect from senior housing facilities. Senior housing has a reputation among the focus group participants as containing disruptive atmospheres for comfortable living, as many include younger age groups of disabled persons. The parking situations and limited laundry facilities of large scale housing complexes are unattractive to seniors that would prefer short walks with groceries into the home and the convenience of in-unit amenities.
- Seniors call on public policy to reverse state decisions that have caused higher property taxes that are stretching senior homeowners thin.
  - Many participants invited state officials to see how their constituents have to live once they are on a fixed income and have ever-escalating housing costs, which leads to compounding deferred maintenance. Some blame the cutbacks in state aid to cities and towns for hastening the timing of a move to undesirable senior facilities. There is a general feeling that Rhode Island is not interested in addressing senior housing needs. While most did not say that they would leave the state, some seniors stated that moving to tax-free New Hampshire or more inviting states like Florida will be better options than staying in Rhode Island.

### **Millennials**

- Millennial residents have positive feelings about the neighborhood feel of some Rhode Island communities, but see rent as high and growing more expensive each year.
  - The East Side in particular is described as convenient to shopping, nightlife and transportation, with neighborhoods being called "safe-ish", with nice neighbors and friends that live nearby. However, many suggested the desirable neighborhoods are not affordable. Many young residents are doubling up and living with roommates when they would rather live alone or in smaller groups due to the lack of affordable one-bedroom apartments. The economy is still unfriendly to young residents and the high rents make conditions even more frustrating. Space is a concern; the apartments that three or four people must live in in order to afford the rent lead to cramped quarters. "They're not getting bigger, they're just getting more expensive", one respondent said about rental options.

- Millennials are cautious to purchase a home, and are open to shared living alternatives in order to secure the dream of ownership.
  - Several participants remarked that they would be comfortable sharing ownership of a home to pool resources in order to stay in a certain parts of the State where it is expensive to own. The financial and opportunity costs of owning a home has been difficult for persons they've known.
- A severe lack of practical housing education frustrates Millennials, and they feel ill equipped to handle landlords or begin the home buying process.
  - Fears about the lack of information as to the rights of renters and how to address unfair housing through legal action make some Millennials apprehensive to rent. They lament the lack of formal education provided in school and that it seems parents and grandparents were better prepared for home buying and home repair.
- More should be done to improve the connectedness between downtown and outlying areas and public transportation is inadequate in making that connection.
  - Millennials prefer to be able to walk or bike to the downtown areas where entertainment and recreation are located, but feel the distance between those parts of the state and where they can afford to live is prohibitive to that lifestyle. Public transportation is described as unreliable and unfriendly. Many respondents feel strongly that the state needs a dedicated bike infrastructure. Most of the employment opportunities in the metro area are in Downcity, near Brown or around the hospitals, and it is important to connect the neighborhoods to where the jobs are located.
- Many cannot help but see the extensive amount of boarded up and vacant housing units in and around the urban areas and wish they could serve as an affordable option to buy and build equity, but there is little belief this is a real opportunity.
  - The demand for unsubsidized affordable housing options is high, and Millennials see the opportunity in foreclosed or abandoned homes. There is frustration that these housing units sit empty and unimproved when they live in expensive units and do not have better options. There is a feeling among them that private landlords have manipulated the multifamily real estate market to benefit themselves only, and that there is no access to attempting to rehabilitate a foreclosed home on their own. They feel that landlords are the only ones that have access to foreclosed units.
- They feel tenant rights are an afterthought to public officials, public policies do not do enough to protect from overdevelopment in areas where renters often live, and many Millennials feel unsafe, disrespected and unprotected in their rental environments.
  - According to focus group participants, biases based on race and ethnicity still exist and prejudice is practiced by both landlords and neighbors. Courts rule in favor of landlords, and withholding rent as a way to force a landlord to address health and safety hazards has a detrimental effect on those that employ that strategy, but many feel that there is no other recourse. The lack of off-street parking, and the paving over of whatever green space still exists in majority rental areas, has made those neighborhoods unattractive and uninviting. The feeling is that there is a lack of political will to address the parking issues in Providence. Some suggest that landlords too easily take advantage of tenants in difficult financial positions, including college students, and will rent apartments that do not contain livable conditions without much fear of legal action or political pressure.



## Latinos

- The apartments that lower income Latino Rhode Islanders can afford come with detrimental characteristics hazardous to their health and happiness.
  - Latino focus group participants reflected on inappropriate behavior from landlords, including accessing their apartment without permission and feeling overly scrutinized. Home repairs and non-working appliances go unaddressed, security issues are ignored and disrespect from neighbors in terms of noise and substance abuse is a constant nuisance. Many participants feel that the area outside their apartment is not safe for their children to play, and that their apartments are unhealthy for them to live in, but have no recourse to get these hazards addressed and other options are not affordable.
- Some Latino residents said that their dream is to buy a home, though they know it is a difficult proposition; others are not interested in buying.
  - The caution in buying a home is based on the cost and the knowledge that the houses they could likely afford would need substantial rehabilitation to make the property safe, secure and clean. Those that were interested in buying felt comfortable putting the sweat equity into the home that they expected would be needed. Others felt less comfortable because of tenuous employment situations of themselves and spouses and the high cost of taxes and their need to work on credit. Those that were not interested in buying a home in Rhode Island blamed high taxes or otherwise felt ill equipped to bear the burdens of homeownership.
- Public officials do not care about the poor conditions that tenants live in, including many Latino households that cannot afford apartments other than those with hazardous environments.
  - The complaints ranged from cockroaches, mice, mold in the ceiling, moisture in the apartments, and the unresponsiveness of landlords to address these issues that goes unnoticed by public officials when prompted. Many reflected that they've moved several times to different apartments in recent years, finding no living situation that was improved from a previous bad situation, and feeling that there was no interest on behalf of local or state government on enforcing fair housing or inspecting problem apartments.

## Low Income Households

- Subsidized housing options have some desirable conveniences for those that can get the housing but some undesirable aspects.
  - Subsidized housing tends to be located in areas that make it convenient to live without a car and still access schools, healthcare, and shopping. The apartments tend to be cleaner and have viable yards for recreation, unlike some private rental housing, although one respondent reflected that the yards can contain some hazards like used needles. Other undesirable aspects of the buildings include the lack of in-unit amenities that require long walking distances to do laundry.

- The housing options may be affordable but can be poorly maintained and located in dangerous areas.
  - One respondent had a particular issue of an unaddressed leaking AC unit that caused health problems and eventually the collapse of a wall. Common areas in the housing development are poorly secured and dangerous persons can get access to living areas. One focus group participant had lived in a building where a person was shot in the hallway. Another apartment was on the third floor and did not have a fire escape. The snow removal at public housing had room for improvement and prohibited the access to important healthcare for one resident.
- Affordable housing developments can be helpful to its residents, but the options are too few and the rent can still be burdensome.
  - A focus group participant was pleased with the rent to own option available through the public housing authority and was working to improve communication skills in order to complete the process, looking forward to earning money from the rental unit from the planned home purchase. One respondent felt that tenant-owed rent should be based on net income and not gross income, while another respondent lamented that their mother was living on the streets and in hotel rooms because she could not find public housing.

### *Section 3: Discussion*

While the State's economic focus is on better paying jobs and improved infrastructure, the State's residential stock demands attention, as much as its demands more supply in the years to come. Too many housing units are old, lack modern amenities and facilities, and contain health and safety hazards. Not only do these issues make the State's housing stock unattractive to outsiders, but also wastefully expensive to current residents. Investments in efficiency and security produce value for the investor of the property and saves money for tenants and future buyers. The focus group participants were of sub-populations that are expected to grow in the next decade (younger, older, minority, low income). The focus groups showed that the State needs more than just additional housing to meet housing demand and address affordability issues. Investments in public infrastructure that connect neighborhoods as well as connect commercial to residential space are greatly desired by young and Latino populations. There was a direct call for improved education from Millennials with regards to homeownership and tenant rights. Seniors, by the nature of their responses to the focus group questions, would appreciate information on how to enroll in tax rebate programs and how to age in place safely and inexpensively. Latino and low-income households are looking for help in understanding their rights, the legal avenues they can take, and how to search for better housing opportunities. A reflection from all focus groups is that the State is in need of more options for housing that is affordable, regardless of the housing features.

## Part 4: Policy Recommendations

The preceding data analysis and qualitative information highlight several key issues impacting the State's housing market today and into the future. They also illustrate how the health of the housing market is inextricably linked with the State's economy, job production, educational achievement, and well-being outcomes. A strong housing market that includes a diversity of housing opportunities, accessible to Rhode Islanders with a range of incomes and needs, helps encourage community stability, attract businesses and workers, and reduces state and local costs for a range of programs and services.

The State and its municipalities have an important role to play in setting policies and priorities that support a strong housing market. Below are some of the key findings of this report.

### Key Findings

- 1. A large and growing percentage of Rhode Island's owners and renters are paying more than they can afford for housing costs**
  - 40 percent of all households are cost burdened, the highest percentage in New England
  - The number of cost burdened renters and owners in the State grew by 44 percent from 2000 to 2012
- 2. The state's population is aging and growing more diverse**
  - The number of Rhode Islanders age 65 and older is projected to grow by 40 percent (65,750 persons) by 2025
  - Twenty-five years ago, nearly 90 percent of the State's population was non-Latino White; now that ratio is 75 percent and is projected to drop to 71 percent by 2025
- 3. The total population and number of households in the State are projected to increase at different rates over the next ten years**
  - Population is projected to grow by 3 – 5 percent by 2025 (34,500 to 47,379 additional persons)
  - Households are projected to grow by 12 – 13 percent by 2025 (47,441 to 52,853 additional households)
- 4. Increased number of households will drive the need for production of more housing, particularly apartments for households earning less than 80 percent of Area Median Income**
  - Anticipated demand for 34,610 to 40,230 new housing units, more than 80 percent of which are multifamily
  - Up to 75 percent of new households will have incomes less than 80 percent AMI
- 5. Market rate and affordable housing stocks are aging and facing substantive rehabilitation and preservation needs**
  - Rhode Island has a higher percentage of multifamily rental units built prior to 1940 than any other state
  - Over 6,000 existing affordable homes will need to be preserved over the next five years
- 6. Many of Rhode Island's growing demographic groups have a need or preference for housing that is connected to jobs, transportation and services**
  - Rhode Island's growing elderly and lower-income populations will need access to public transportation or to be close to jobs and services
  - The report's qualitative evaluation shows a strong interest among all groups for housing that is connected, accessible and part of a lively community with high quality of place

## Policy Implications

Now that there is a clearer understanding of the State's current and future housing needs, what more can be done to ensure that the State will be able to meet those needs? Below are several examples of the kinds of strategies that are being explored, developed and advocated by a variety of concerned housing leaders. These strategies have the potential to increase housing production in a way that meets the needs of Rhode Islanders now and in the future.

### 1. Increase investment in the development and preservation of homes affordable to working Rhode Islanders and those with special housing needs.

Addressing the significant existing shortfall of homes affordable to low-income Rhode Islanders and meeting the growing future housing needs for this population will require increased investment of Federal, State and private resources.

At the Federal level, funding for HOME, a key housing production program, has dropped by nearly 50 percent since Fiscal Year 2010, while programs that once funded the development and operation of housing for the elderly and disabled are no longer funding new production.

Investments in subsidized housing production at the State level have declined with the final allocations in 2015 of funding from the Building Home Rhode Island program (BHRI), established by the state's Housing Resources Commission (HRC) with housing bond proceeds approved by voters. The bonds were supported first in 2006 and again in 2012 by referendum for the issuance of general obligations bonds, refunding bonds and temporary notes for capital costs of affordable housing.

Rhode Island trails our New England neighbors in housing and homelessness investments by a wide margin, with a State investment of \$8.46 per capita in Fiscal Year 2016 compared to \$76.98 per capita in Connecticut and \$99.72 per capita in Massachusetts.

The private sector has a key role to play as investors in tax credit programs that provide equity for the development of affordable homes, such as the Federal Low Income Housing Tax Credit program and the State's new Rebuilding Rhode Island Tax Credit.

As capital funding for housing has declined, so has the production of affordable homes. In 2014, 101 affordable homes were produced in Rhode Island, the lowest annual production level in ten years. There are a number of options to consider for increasing investment through all of these resources to finance the production of more affordable homes.

- **Support passage of a new housing bond.** The previous two state housing bonds provided \$75 million in capital that financed the development of 1,944 affordable homes in communities across the state with a total development cost of \$468.6 million. With interest rates still very low, now may be a good time to bond for capital to invest in housing development.
- **Explore options for a permanent funding stream to provide capital for housing development over the long term.** Many states, including Rhode Island, have established Housing Trust Funds to finance housing development. While Rhode Island's has never been funded, in other places these funds are supported by fees or taxes that provide a sustainable and predictable resource for capital financing.

- Seek increases in Federal funding and explore new Federal funding opportunities.** While Federal appropriations for housing development continue to decline, other strategies for increasing investment in housing development at the Federal level have been proposed, and some are even moving forward. For instance, the Federal Housing Trust Fund<sup>ix</sup> will start allocating resources to states in 2016, and Rhode Island is projected to receive approximately \$3 million annually through the program. The current Federal Administration has also proposed changes to allow states to convert some of their Private Activity Bond authority to Low Income Housing Tax Credits, an extremely successful and competitive program responsible for the bulk of federally subsidized affordable rental production across the country and here in Rhode Island. This would allow states to leverage underutilized Federal funds to support a well-established housing production program. The State should also explore other Federal funding opportunities to utilize to fund housing development.
- Explore innovative models for leveraging private investment in housing development.** One new funding model that some states are exploring, including Massachusetts, is the Pay for Success model. While this approach is still relatively unproven, it offers the potential to leverage private investments in programs and services that will ultimately yield savings for the state and a return for those investors. Permanent Supportive Housing for the homeless is an example of a program that has been proven to reduce State costs for emergency and institutional services as well as health care costs. Likewise, the recently enacted ReBuilding Rhode Island Tax Credit is another program that is providing incentives for the private sector to invest in housing development.
- Strengthen and enhance preservation efforts currently under way.** Rhode Island Housing, the State's Housing Finance Agency, recently launched a new preservation financing program through the Federal Financing Bank, to provide up to \$150 million in loans to help preserve an estimated 1,500 units in the next five years. The traditional preservation method, using 4% Federal Low Income Housing Tax Credits, is likely to preserve over 1,800 units in the next five years, utilizing an estimated \$50 million in tax credit equity and approximately \$90 million in permanent financing. The State has been able to maximize its allocation of 4% tax credits with additional assistance from the State Housing Preservation and Production Program, \$3 million in FY2016, a budget line item which could be made permanent.

## **2. Make it easier to build the homes that are needed.**

The cost to develop housing in Rhode Island is very high - a cost that is passed on to buyers or renters occupying that housing through higher housing prices or rents. These high costs are driven, in part, by large-lot zoning requirements that limit density, thereby increasing land costs. Zoning ordinances that prohibit or require special permits for the production of multifamily homes are also common. Inconsistent regulatory requirements and high property taxes can also discourage development. Rhode Island has been among the last in the nation in new building permit activity for more than a decade. One reason is that it is very difficult for private developers to make a profit on the development of housing given the high cost of development and relatively low prices Rhode Islanders can afford to pay for housing compared to our neighbors in Massachusetts and Connecticut. Parts of Rhode Island also lack the water and sewer infrastructure needed to support higher density development.

- **Supply incentives to municipalities to provide some areas zoned for multifamily housing at a density that makes development financially feasible.** Vermont requires cities and towns to zone for multifamily housing and Massachusetts is currently considering legislation that would make it easier to develop housing. The State could provide municipalities with incentives to encourage the development of a mix of housing options at appropriate densities in areas where communities are interested in focusing future growth. The State could also explore opportunities to help communities develop the water and sewer infrastructure they need to support this increased development activity, perhaps with public private partnerships.
- **Reduce regulatory barriers to development.** The State has begun to remove some barriers to development, such as setting consistent statewide standards for wetland setbacks, standardizing permit fees and promoting the use of e-permitting. To continue reducing barriers to development, the State could address inconsistent application of some requirements, like the fire code, and streamline the development process to reduce the time it takes to get new developments approved.

### 3. Make existing housing more affordable.

Not all of the State's housing needs must be met with new production. There are also strategies that can be employed to make the State's housing stock more affordable, either by providing rental assistance that can be used in private apartments to bridge the gap between rent costs and what tenants can afford to pay, or by increasing the amount Rhode Islanders earn so that they can better afford housing that is available now.

- **Provide rental assistance to cost burdened renters.** The State recently established a permanent funding stream to fund rental assistance for homeless Rhode Islanders through an increase in the Real Estate Conveyance Tax.<sup>x</sup> This program provides a predictable and sustainable resource for rental assistance for the State's most vulnerable residents. As the housing market continues to strengthen, that tax will generate additional rental assistance support. This program is a model the State could consider expanding in the future.
- **Raise incomes for working Rhode Islanders.** Governor Raimondo and the Rhode Island General Assembly have already taken important steps to raise incomes by increasing the State's minimum wage. Additional strategies by the Rhode Island Commerce Corporation and other agencies to train workers for higher paying jobs and improve educational outcomes have the potential to further raise incomes, which should help to lower housing cost burdens.

### 4. Develop a long-term strategy for meeting the State's housing needs.

Rhode Island currently lacks a long-term strategy for meeting its housing needs. The State's last housing plan was developed by the Housing Resources Commission in 2006 and expired in 2010. The recommendations included here offer some potential strategies for meeting those needs, but whatever tools the State uses, the recommendations should be part of a long-term strategic approach to investment and policy priorities.

- **Charge the Housing Resources Commission with developing a long-term plan for meeting the State's housing needs.** As part of this process, consideration should be given to sustainable strategies for increasing investment in housing development, as well as changes to state law and land use requirements that will help to reduce the cost of developing housing.

## Appendix A

### Methodology for Population, Household, and Housing Unit Projections

Rhode Island population, household, and housing unit projections at the statewide and seven sub-state regional levels are based on methods first created by the Metropolitan Area Planning Council (MAPC) based in Boston. HWRI contracted with MAPC to be our technical advisors in implementing the projection models for Rhode Island. The methods and models were altered to be Rhode Island-specific by using Rhode Island data and making assumptions based on previous and current population, household, and housing unit trends.

Rhode Island sub-regions in this analysis were defined using Public Use Microdata Survey Areas (PUMAs), as used in US Census Bureau American Community Survey Public Use Microdata Survey (PUMS) data. The most recent PUMA definitions were created in 2012. In Rhode Island, adjacent municipalities are grouped into six separate PUMA and the remaining PUMA is the city of Providence, which is its own PUMA.

The population and household demand projections utilized a cohort survival methodology with age- and race-specific fertility and mortality rates. HWRI used disaggregated and adjustable age- and race-specific migration rates. Fertility rates were not applied to the group quarters population. Household demand was derived from age-specific headship rates from the decennial census, and further disaggregated into household type and size based on American Community Survey estimates. Projections by age-race-sex cohort prepared at the statewide level served as the control total, with sub-state regional projections constituting population by age, householders by age, households, housing units and group quarters population.

Projections of future housing demand by type used age-specific housing preferences derived from Public Use Microdata at the statewide level. Housing type preference (single/multifamily), tenure, and income, based on the age of the householder, type and tenure of the household, were used to create a synthetic housing demand for the current year and future years, with the difference between the two indicating the magnitude and type of new housing unit demand for the state or sub-state regional level. At the sub-state regional level, PUMS estimates were adjusted to reflect existing housing stock (single/multifamily) to derive totals. Also, and in keeping with the method created by MAPC, we accounted for current vacant units that may be sold or rented as the market returns to a natural vacancy rate, as well as the additional units needed over and above household growth to achieve and maintain a healthy vacancy rate.

The projection area comprises all of Rhode Island. The projections model was structured so that key inputs could be modified to test the sensitivity of the projections to different assumptions about future trends. Specifically, the model scenarios incorporated different assumptions about the total amount of net migration and demographics of migrants.

#### Data Inputs and Sources

- Base population
  - Rhode Island statewide and sub-state regional population was distributed into cohorts based on age, sex, and race groups.

- Five-year age cohorts (0-4 through 85 and older), sex (Male or Female), and five race groups including non-Latino White, non-Latino Black, non-Latino Asian, non-Latino Other, Latino.
    - Source: US Census Bureau 2010 Decennial Census
- Fertility & Mortality
  - Rhode Island Births, years 2009 – 2011, by age and race of mother, statewide and Municipality.
    - Source: US Department of Health & Human Services, Centers for Disease Control and Prevention, CDC Wonder
    - Source: DataSpark RI
  - Rhode Island Deaths, years 2008 – 2012, by age and race of deceased, statewide and county level
    - Source: US Department of Health & Human Services, Centers for Disease Control and Prevention, CDC Wonder
- Migration
  - Total migration in/out of state to/from CT and MA, other states, international
    - Five-year age cohorts (0-4 through 85 and older) and five race groups including non-Latino White, non-Latino Black, non-Latino Asian, non-Latino Other, Latino
    - Source: American Community Survey 2011-2014 1-year estimates
    - Source: US Census Bureau Population Estimates Components of Change Vintages 1999-2015
    - Source: PUMA Migration data to get net migration for each PUMA geography
- Households
  - Headship rates (household formation rate) and Household type (family/nonfamily) by age of householders (six age groups)
    - Source: US Census Bureau 2010 Decennial Census
  - Size of household by age (three age groups) and race of householder
    - Source: US Census Bureau American Community Survey Public Use Microdata Survey Five-year Estimates 2009-2013
- Housing Units
  - Housing unit type (single/multifamily), tenure, income by age of householder (three age groups)
    - Source: US Census Bureau American Community Survey Public Use Microdata Survey Five-year Estimates 2009-2013

## Dataset Preparation Method and Projection Methods

### Base/ Current Population:

The statewide base population figures were calculated from the 2010 Decennial Census by age (five-year age cohorts), sex, and race (non-Latino White, non-Latino Black, non-Latino Asian, non-Latino Other, Latino) for both total population and population in households. Sub-state regional total population and population in households also used 2010 Decennial Census Data.

### Mortality:

Mortality rates were calculated by dividing the total deaths by the estimated population (2010 Census) in each cohort for five years of data (2008-12) around the 2010 Decennial Census. The inverse, annual survival rate for each cohort, was then calculated, and five-year survival rates were derived by



accounting for age-progression of a cohort. These rates were then applied to the base (total) population to get the surviving population. At the statewide level, the survival rates were age, sex, and race specific.

#### Fertility:

Fertility rates were calculated by dividing births by the cohort population in households for the most recent three years of data (2009-2011) around the 2010 Decennial Census.

Similar to mortality rates, five-year fertility rates account for the age progression into subsequent cohorts. For the statewide scale, fertility rates were age and race specific.

Fertility rates were applied to surviving household population to get the newborn population. At the statewide level, newborns were allocated race as per the mother's race, and corresponding survival rates were applied to the newborn population. The surviving population was then distributed to the under-5 year old cohorts for the forecast year.

#### Migration:

Gross migration method was used at the statewide level. The migration rates for 2011 – 2014 were averaged from mobility tables of the ACS PUMS for Rhode Island and were used to estimate the total number of people moving, to or from Massachusetts and Connecticut, to or from other states, and from other countries by age and race. The average migration rates were applied to population by age and race to calculate estimates of mobility. International migration was assumed as a fixed number annually and age and race allocations are made as per ACS PUMS data.

At the sub-region level, net migration was calculated for each PUMA based on 2010-14 PUMS data. For the Stronger Growth scenario, assumptions of changes in both in and out migration rates by age were applied to the raw in and out migrants from adjacent and non-adjacent states to calculate Stronger Growth scenario net migration numbers.

#### Households & Housing Units:

Statewide headship rates for family and non-family households by age were applied to the future year household population to get households by type and by age of householder. ACS PUMS data was used to calculate other attributes for households by age, such as household size, household income, housing unit occupancy and tenure.

At the sub-state level, regional headship rates and households were estimated by age of householder and type (family/non-family), and tenure based on Census data aggregated from the constituent municipalities. For housing preference, PUMS data was used similar to state level to arrive at PUMA specific housing unit type preference with income, and household size breaks.

Existing vacancy by tenure is compared to 'natural' vacancy rates, the vacancy rate at which housing costs are within the 'healthy' range. Following the same method as MAPC, HWRI assumed a healthy vacancy rate of 1.5% for ownership units, and 7% for rental stock. Over- and under-supply of housing unit stocks is accounted for to estimate the housing demand with vacancy. For estimates beyond 2020, the 'natural' vacancy rates are multiplied with the housing unit demand numbers to get the 2020 - 2025 demand numbers. This assumes that the existing stock is at natural vacancy levels beginning in 2020 and extending into future years.

## Scenario Assumptions

Following methods created first by MAPC, HWRI created two separate projection scenarios, a Status Quo Scenario and a Stronger Growth Scenario. The Status Quo Scenario projects population growth in Rhode Island over the next ten years assuming trends in births, deaths, and migration rates continue as they are today. The Stronger Growth Scenario examines what population and household growth might look like under a stronger Rhode Island economy, with new jobs being brought to the state, and assumes a greater attraction and retention of the working age population through reduced out-migration and increased in-migration for the population ages 20-44. In consultation with researchers from The Brookings Institution on their *Rhode Island Innovates* report released January 2016, we assume a compound annual growth rate of 1.6 percent for employment in selected industries. Our assumption is that many of these new jobs will retain and attract younger workers, the population ages 20-44.

### Status Quo Scenario:

Methods for the Status Quo Scenario and the standard population projections take into account no enhanced or changed assumptions. Using current trends in births, deaths, migration, and household formation, (from 2008 to 2014), the future population and households of Rhode Island were estimated by applying those same trends to the current population.

### Stronger Growth Scenario:

To achieve the Stronger Growth Scenario, the status quo assumptions were slightly altered to determine population and household changes assuming a stronger state economy. Based on future job estimates within the “*Rhode Island Innovates*” report from the Brookings Institution, migration rate assumptions were changed to slow the rate of outmigration and increase the retention of the state’s population. Further migration change assumptions were made based on nearby migration, to or from Connecticut or Massachusetts, or on non-adjacent state migration patterns. The younger, working-age population migration rates were enhanced, as this is the age of worker the state hopes new and advanced industries can attract.

Subsequently, migration rates for children ages 0-14 were also changed, as these working age persons are likely to bring children with them and are of child-rearing age. Migration rates for persons age 15 to 19 and 45 and older were changed in cases of migration to and from Massachusetts and Connecticut, but not for migration to or from non-adjacent states. Specifically, migration rates were increased by the following percentages for both the 2020 and 2025 stronger growth projection time-periods:

- Out migration rates to MA & CT were slowed by 10% for population ages 20-44, 5% for ages 0-14, and 2.5% for all other age groups
- Out migration rates to rest of country were slowed by 5% for ages 20-44, 2.5% for ages 0-14, and no change to all other age groups
- In migration rates from MA & CT were increased by 10% for population ages 20-44, 5% for ages 0-14, and 2.5% for all other age groups
- In migration rates from rest of country were increased by 5% for population ages 20-44, 2.5% for ages 0-14, and no change to all other age groups

## Appendix B

### Methodology for Focus Group Research

To learn more about current housing challenges and future housing preferences, HWRI conducted focus groups with four growing Rhode Island demographic groups: Low to Moderate Income, Millennials (age 18-34 in 2015), Latinos, and Seniors (age 55 and older in 2015). The study was approved by the Roger Williams University Human Subjects Review Board in September 2015. The four focus groups were conducted throughout Rhode Island between November and December 2015 within educational and social service organizations in publicly accessible locations. Focus group locations were chosen for the high concentrations of younger Rhode Islanders, high concentrations of older Rhode Island households, high concentrations of Latino households, and high concentrations of Low to Moderate Income households. The research team used Census data as well as local knowledge to decide on focus group locations.

An Informed Consent form was explained and agreed to by all participants in this study prior to conducting the focus groups. The Informed Consent form did not ask for a name, instead it asked participants to affirm by writing “Yes” or “No” as to their willingness to participate.

All of the documents for the study were available to participants in English and Spanish. One group was conducted in Spanish, two in English, and one group was conducted bilingually, as needed. The same 10 open-ended questions were asked of all participants at each focus group. Focus groups lasted between 85 and 95 minutes. After the focus group interview ended a short, anonymous survey to collect demographic data was administered to all participants. Each focus group participant received a \$40 CVS gift card and signed a receipt for the card.

# Appendix C

## Advisory Research Council

HousingWorks RI at Roger Williams University would like to thank the members of our Research Advisory Council for their contributions to the development of the current conditions and projections analysis:

City of Providence Office of Community Development - Brian Hull, Director

Community Action Partnership of Providence - Melissa Husband, Executive Director

DataSpark RI - Andrew Bramson, Director

Metropolitan Area Planning Council - Tim Reardon, Director of Data Services

National Housing Conference & Center for Housing Policy - Chris Estes, President and CEO, and Lisa Sturtevant, Vice President for Research and Director

Rhode Island Association of Realtors and State-wide MLS - Phil Tedesco, Chief Executive Officer

RI Builders Association - John Marcantonio, Executive Director

Rhode Island Executive Office of Commerce - Matthew Santacroce, Senior Economic Analyst

Rhode Island Housing - Amy Rainone, Director of Government Relations and Policy, and Eric Rollins, Housing Research Analyst

Rhode Island Office of Housing and Community Development - Michael Tondra, Director

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<sup>i</sup> HousingWorks RI at Roger Williams University Housing Fact Book 2015. US Census Bureau American Community Survey 1-year Estimates, 2000 and 2013.

<sup>ii</sup> HUD defines “substandard” as households without hot and cold piped water, a flush toilet and a bathtub or shower; or kitchen facilities that lack a sink with piped water, a range or stove, or a refrigerator. The definition of substandard suitable for rehabilitation means any “substandard” dwelling in which the deficiencies are limited in number and magnitude such that the cost of rehabilitation would not exceed fifty percent 50% of the replacement cost of the dwelling

<sup>iii</sup> DataSpark, The Providence Plan. A Look at Rhode Island’s Lead Hazard Mitigation Law, 2015.

<sup>iv</sup> This includes Washington, DC.

<sup>v</sup> A study released by the National Association of Home Builders (“NAHB”) in 2012, titled “Residential Construction Employment across States and Congressional Districts”, measured the residential construction industry in Rhode Island for 2010 at 10,916 workers. Adjustments to that methodology to use the 3-year ACS for each year (more accurate data) resulted in a new estimate of 10,009 for the residential construction industry for the state as of 2010. This table uses the methods employed by NAHB to generate annual statistics for all other years besides 2010.

<sup>vi</sup> U.S. Department of Housing and Urban Development Physical Inspection Scores, 2015. <https://www.huduser.gov/portal/datasets/pis.html>

<sup>vii</sup> <http://www.pewresearch.org/fact-tank/2015/01/16/this-year-millennials-will-overtake-baby-boomers/>

<sup>viii</sup> In consultation with MAPC.

<sup>ix</sup> The National Housing Trust Fund program is funded by an assessment on the volume of business by Fannie Mae and Freddie Mac, so it is not dependent on the annual appropriations process.

<sup>x</sup> <http://webserver.rilin.state.ri.us/Statutes/title44/44-25/44-25-1.HTM>