

Chapter V. Housing Market Analysis

The following section provides a summary of economic and population trends experienced in Rhode Island during the past decade.

A. General Characteristics of the State's Housing Market

Rhode Island is the nation's smallest state. As of 2008, the state retained its ranking as the second most densely populated state, 1,016 persons per square mile, exceeded only by New Jersey. Despite having one labor market, commuting patterns extend across the borders into Massachusetts and Connecticut. The Providence Metropolitan Statistical Area (MSA), designated by the US Census, includes Fall River and New Bedford, Massachusetts, and thirty-five of Rhode Island's thirty-nine cities and towns. The four remaining towns of Middletown, Newport and Portsmouth, and New Shoreham, fall under the Non-Metropolitan Counties category.

With a geographic area of 1,545 square miles, Rhode Island is bordered by Massachusetts on the North and East, Connecticut to the West, New York to the Southwest and the Rhode Island Sound and North Atlantic Ocean to the South. Despite the state's high population density, approximately 60% of the land is forested, since the majority of the population lives in the urban/suburban corridor along Narragansett Bay, and in the Blackstone and Pawtucket river valleys.

Rhode Island is comprised of 39 municipalities; ten are designated urban communities, which is defined by the state as a municipality with a population density of 2,500 or more persons per square mile and 50% or more of the land area within the municipality is classified as developed land. These include: Central Falls, Cranston, East Providence, Newport, North Providence, Pawtucket, Providence, Warwick, West Warwick and Woonsocket. The remaining twenty-nine communities are nearly equally divided between suburban and rural.

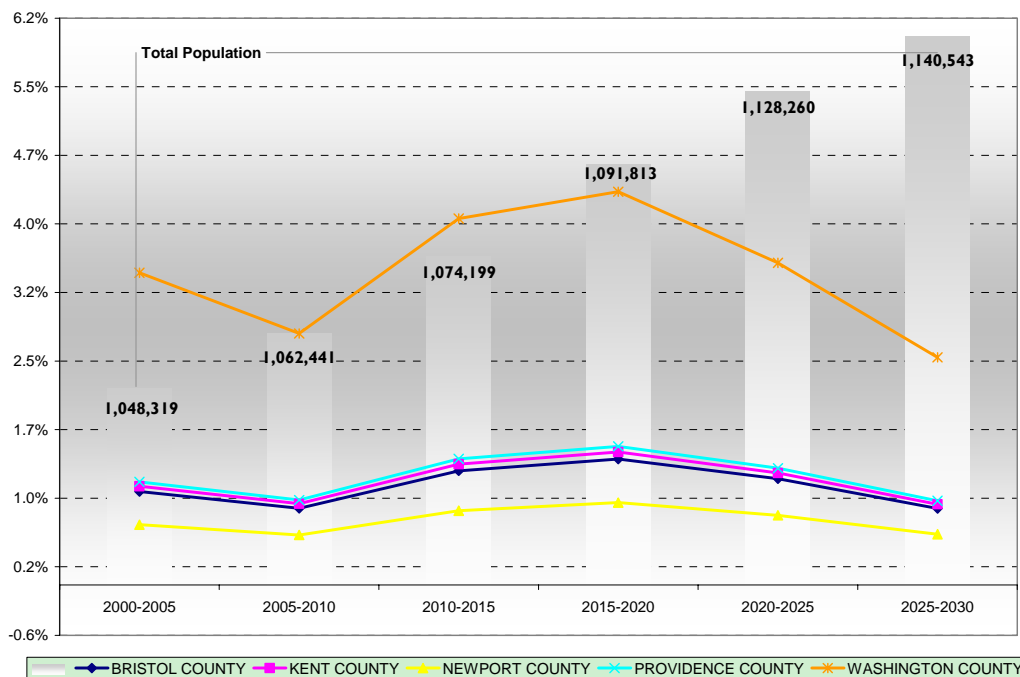
Population Growth

Population growth in Rhode Island has remained flat during the past decade, and in more recent years has experienced a slight decline. From 2005 to 2008, the state's total population declined by an estimated 1.3%. Population decline was greatest in Newport (-4.4%) and Middletown (-3.4%); in the state's urban core communities, population declined by less than 1.5% during 2005 to 2008. Only six Rhode Island communities experienced a growth in population from 2005 to 2008: West Greenwich (12.9 % increase) and North Smithfield (3.5% increase); the populations of Burrillville, Lincoln, Cumberland, and Foster, communities closest to the Boston metro area, increased by just under 1.0%.

Population Projections

Over the long term the state's population is expected to increase. Based on 2004 population projections, from 2000 to 2030 Rhode Island's population is projected to grow by 8.8%, an increase of 92,224 persons. Figure 5.1 shows the percent change in population projected for the state and counties during this time period. Most of the population growth is expected to take place during the years 2005 to 2015. The percent change in population projected in Washington County, displayed using the orange line, is most dramatic; from 2005 to 2015, the population is expected to grow by 6.9%. Population growth is expected to be least in Newport County, with 1.4% growth projected during the same time period.

Figure 5.1 Rhode Island State and County Population Projections



Source: RI Dept. of Administration, 2004 Statewide Population Projections

Like most other parts of New England, Rhode Island will experience an aging of the population as baby boomers, those born generally during the years 1946 to 1955 near old age. Table 5.1 shows the projected growth of the state’s population of 65 to 79 year olds, the older age cohort. The greatest period of growth will be during the years 2010 to 2020. From 2005 to 2015, the numbers of frail elderly in the state is expected to increase by 13.4%, from 25,773 to 29,229 individuals.

Table 5.1 Projected Growth of the Older Age Cohort

	Aged 65 to 79	Change
2005	97,495	
2010	99,521	2.1%
2015	118,319	18.9%
2020	141,977	20.0%
2025	164,586	15.9%
2030	177,074	7.6%

Source: RI Statewide Planning, 2004 Population Projections

Rhode Island’s population is also expected to become more diverse. From 2000 to 2030 the non-white population in Rhode Island is expected to increase by 71.2%, or 111,916 persons. Conversely, the white-population is expected to decrease by 2.2% or 19,692 persons. By 2030 it is expected that non-white persons will account for 30.9% of the state’s total population. Further details regarding race and ethnicity in Rhode Island are discussed in the following section.

Table 5.2 Cumulative Estimates of the Components of Resident Population Change for Counties of Rhode Island: April 1, 2000 to July 1, 2008

Geographic Area	Total Population Change ¹	Natural Increase	Vital Events		Net Migration		
			Births	Deaths	Total	International ²	Domestic
Rhode Island	2,469	24,100	103,887	79,787	-16,268	24,945	-41,213
Bristol County	-813	-432	3,778	4,210	-175	191	-366
Kent County	968	902	14,897	13,995	786	1,070	-284
Newport County	-4,955	1,377	7,208	5,831	-5,951	516	-6,467
Providence County	4,551	19,977	67,820	47,843	-11,939	22,396	-34,335
Washington County	2,718	2,276	10,184	7,908	1,011	772	239

Source: US Census Bureau, Current Population Survey

Immigration

Rhode Island has a history rich in ethnic and cultural diversity. One of the first states in the nation to industrialize, the burgeoning manufacturing centers attracted many immigrants looking for work. Despite the subsequent decline in manufacturing in New England during the late 20th century, Rhode Island continues to attract residents from other nations, though at significantly lower rates.

Table 5.3 Rhode Island Immigration Statistics, 1990 to 2007.

	1990	2000	2007	Change 2000-2007
Total Population	1,003,464	1,048,319	1,057,832	0.9%
Foreign Born	95,088	119,277	134,823	11.5%
Percent Foreign Born	9.5%	11.4%	12.7%	1.3%
Percent U.S. Citizen	44.9%	47.1%	46.5%	-0.6%
Illegal Aliens (INS est.)	9,000	16,000	35,000	2.8%
Legal Immigrants		NA	29,218	

Source: Census2000, 2007 American Community Survey, Federation for Immigrant Reform (FAIR).

Table 5.3 shows the immigrations statistics for Rhode Island. From 2000 to 2007 the number of foreign-born residents increased by only 1.3%, and as of 2007 account for 11.5% of the state's total population. The rate of increase for foreign-born residents was only slightly more than the rate of increase for the entire population, however was significantly less than the 25.4% increase of foreign-born residents during the decade 1990 to 2000. The state's more urbanized locations were the most popular destination for international and domestic migration, as displayed in Table 5.2. Providence County absorbed by far the most immigrants, followed by Kent County.

Ethnicity

Table 5.4 shows the national and ethnic origins of Rhode Island's foreign-born residents; 80.0% of foreign-born residents have migrated to the state from ten countries or regions. In 2007, the country or region most represented by the state's foreign born residents was the Caribbean, followed by Portugal, and Central America. As of the 2007 ACS, the Dominican Republic is not included separately as a country of origin, and now falls under the Caribbean designation. It should also be noted that for this analysis, the region of origin was included to gain a more accurate profile of the ethnic origin and nativity of the state's foreign residents as opposed to country alone.

Table 5.4 Top Ten Countries/Regions Foreign-born

Country	2000	Country/Region	2007
Portugal	21,016	Caribbean	22,426
Dominican Republic	16,382	Portugal	19,607
Guatemala	9,049	Central America	15,071
Colombia	6,496	West Africa	14,621
Italy	4,502	South America	10,620
Canada	4,015	Canada	6,687
Cambodia	3,335	South East Asia	6,131
U.K.	3,120	China	4,795
China	2,954	Colombia	4,382
Laos	2,602	Eastern Europe	4,131
All Others	45,806	All Others	26,352
TOTAL	119,277	TOTAL	134,823

Source: US Census, 2007 American Community Survey

Racial Concentration

Like many parts of the nation, Rhode Island's population is becoming more racially diverse. The increased diversity in the state's population can be attributed to in-migration and population growth among non-White populations. Since 1990, growth rates for African-American, Asian and Hispanic populations have far surpassed those of the white population.

Table 5.5 shows the racial profile and trend for the years 2000 to 2007. Non-Hispanic white persons accounted for 78.8% of the entire population in 2007, followed by Hispanics at 11.2%, African-American's at 4.9%, and Asian's at 2.8%. Since 2000, the Hispanic population experienced the largest increase-31.5%; the African-American population increased by 27.0%, while the Asian population increased by 24.1%. Conversely, white non-Hispanic persons decreased by 2.9% during the same time period.

Table 5.5 Rhode Island Race Profile and Percent Change, 2000 to 2007.

Race	2000		2007		Percent Change
	Number	Percent	Number	Percent	
White (non-Hispanic)	858,665	81.9%	833,827	78.8%	-2.9%
Black or African American	41,023	3.9%	52,102	4.9%	27.0%
Hispanic or Latino	90,452	8.6%	118,934	11.2%	31.5%
Asian	23,521	2.2%	29,197	2.8%	24.1%
Other	30,315	2.9%	20,915	2.0%	-31.0%

Source: US Census Bureau; Census2000, 2007 American Community Survey

The state's more urban areas are home to the largest percentage of minority residents. Non-White residents account for more than 60.0% of the population in Providence, 40.0% of the population in Pawtucket, and 20.0% in Woonsocket, based on the American Community Survey's (ACS) 2005-2007 three-year estimate for cities over 20,000 in population. The city of Central Falls also contains a large Hispanic population, however is not part of the 2005-2007 ACS survey.

Table 5.6 Minority Residents by Community

Community	05-07		
	2000	Estimate	Change
Pawtucket	30.9%	40.2%	9.3%
North Providence	6.4%	15.2%	8.8%
Providence	54.2%	61.1%	6.9%
Cranston	9.4%	15.8%	6.4%
Johnston	2.5%	8.0%	5.5%
North Kingstown	3.1%	8.4%	5.3%
West Warwick	4.5%	9.5%	5.0%
Cumberland	2.4%	7.2%	4.8%
Coventry	1.5%	5.2%	3.7%
East Providence	14.5%	16.8%	2.3%
Lincoln	3.4%	5.7%	2.3%
Warwick	3.6%	5.7%	2.1%
Westerly	3.7%	5.6%	1.9%
South Kingstown	7.2%	8.4%	1.2%
Woonsocket	20.2%	20.4%	0.2%
Newport	18.3%	17.2%	-1.1%
State Average	18.1%	21.0%	2.9%

Source: US Census Bureau; Census2000, 2005-2007 American Community Survey

Economy

Rhode Island's economy, like others that historically relied on manufacturing as its base, is struggling to reposition itself in the new millennium. The current economic downturn has affected the state particularly hard. The state budget crisis, increased energy costs and the housing and credit collapses are taking a toll on companies and job seekers.

The transition from manufacturing to more of a service-based economy in the state, has however led to increased diversification and a rise in the service, retail, and financial sectors. As of 2007, Rhode Island five largest industries in terms of private sector employment were: Health Care and Social Assistance (18.2%), Retail Trade (12.3%), Manufacturing (12.2%), Food Service and Accommodations (10.3%), and Finance and Insurance (6.3%).

Overall, Rhode Island's economy is comprised of many smaller companies employing a small number of workers. As of 2007, Rhode Island ranked 37th in the nation in the percentage of large establishments (100 employees or more) located within the state. The largest employers, those with 1,000 or more employees, numbered 33 and employed just 16.9 percent of Rhode Island's private sector workforce

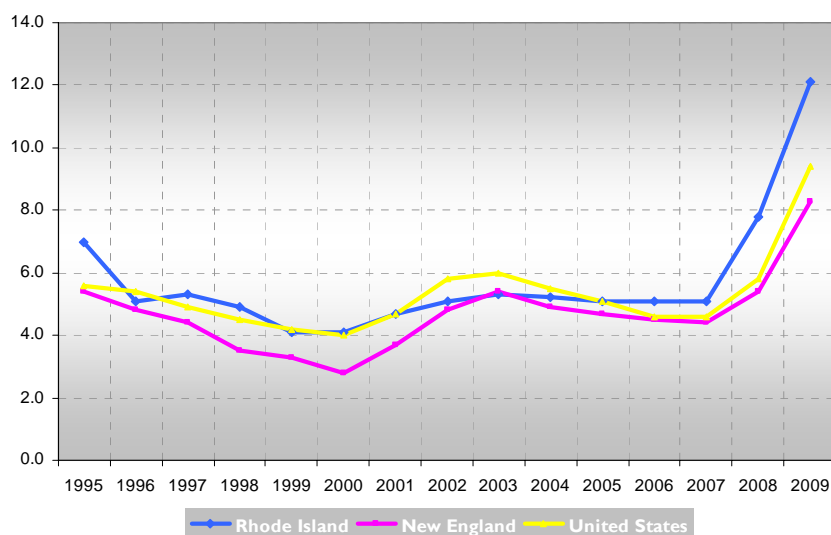
Wages in Rhode Island are lower than both the national and regional average. Rhode Island reported the fourth highest average annual wage in New England, trailing behind Connecticut, Massachusetts, and New Hampshire. The average wage for a private sector worker in Rhode Island was \$39,827 in 2007, compared to the national average of \$44,355. Three of the state's five largest industries have average annual wages lower than the state's overall average private sector wage; these include: Health Care & Social Assistance, Food Service & Accommodations, and Retail Trade. The industry sectors that paid above the state's average annual private sector wage included Construction, Manufacturing, Mining, and Education.

During the first half of this decade, Rhode Island’s private sector job growth rate exceeded all New England states except for New Hampshire. From 2002 to 2006, private sector jobs in the state increased by 16,700. However, as gas prices and the number of housing foreclosures in the state began to increase, employers began cutting back. By the end of 2007, employment was down 6,551, and during the first six months of 2008 the state lost 8,600 jobs. More sobering, 60% of the job losses reported between 2006 and 2007 were in industries that paid more than the national average wage.

Unemployment

The tight labor market in Rhode Island is reflected by a job vacancy rate lowest among the New England states, and one of the nation’s highest unemployment rates. As of November 2009, Rhode Island’s unemployment rate was 12.7%, ranking second in the nation just under Michigan.¹ From May 2007 to May 2009 the unemployment rate in Rhode Island rose by 7.0 percentage points, higher than the 4.8 percentage point increase for the nation, and the 3.9 percentage point increase for New England during the same time period.

Figure 5.2 Rhode Island Unemployment, 1995 to 2009



Source: US Bureau of Labor Statistics

Patterns of job growth have been higher in non-urban areas, more than triple that of urban communities. Between 1992 and 2002, non-urban areas saw a 30% increase in job growth compared to 7.7% in urban areas. Urban to non-urban job growth continues to have a dramatic impact on housing, particularly workforce housing. Jobs must be located in areas accessible to lower income families or housing must be built in proximity to those jobs to ensure that the State is meeting the housing needs of its labor force.

¹ Bureau of Labor Statistics, Regional and State Employment and Unemployment Summary, <http://www.bls.gov/news.release/laus.nr0.htm>

Economic Outlook

According to the Rhode Island Department of Labor and Training, from 2006 to 2016, employment in the state is estimated to increase by 9.1%, slightly less than the 10.7% growth rate experienced during the 1996-2006 decade. The largest numbers of job openings are estimated to take place in the Food Preparation & Serving Related Occupations, Office & Administrative Support Occupations, Sales & Related Occupations, and Healthcare Practitioners & Technical Occupations.

As of November 2009, Moody's Analytics forecasts that as the nation shows signs of pulling out of the recession, Rhode Island will also emerge, however slowly. Unemployment claims continue to rise, and foreclosures in the state will remain high through 2010, pushing down housing prices. From 2010 to 2012 as the nation recovers, Rhode Island's growth in income will lag behind that of the nation.²

So with the economic crisis expected to continue into 2011, low- and moderate-income households in Rhode Island in particular, will continue to experience economic hardship, financial strain, and lack of opportunity in terms of affordable housing and homeownership. These conditions put Rhode Islanders in an extremely vulnerable position and more than ever in need of Rhode Island Housing's help.

Income

Rhode Island's 2008 median household income of \$55,701 ranks third in New England behind Vermont and Maine, and is nearly 18% lower than that of neighboring Massachusetts. Since 2005, Rhode Island's median household income grew by 8.2%, as shown in Table 5.7. Household income in the state's urban core communities is among the lowest in the state. However, among the four communities for which more recent data is available, the geographic disparity is evident. The 2008 median household income for more suburban Cranston and Warwick was \$55,190 and \$60,974 respectively, while the 2008 median household income for Providence and Pawtucket was only \$36,426 and \$41,391. Pawtucket saw the largest increase (13.7%) from 2005 to 2008, while the city of Cranston actually experienced a 1.6% decline in household income.

Table 5.7 Median Household Incomes, 2005–2008.

	2005	2008	change
Rhode Island	\$51,458	\$55,701	8.2%
Cranston city, Rhode Island	\$56,070	\$55,190	-1.6%
Pawtucket city, Rhode Island	\$36,407	\$41,391	13.7%
Providence city, Rhode Island	\$34,202	\$36,426	6.5%
Warwick city, Rhode Island	\$57,153	\$60,974	6.7%

Source: 2008 American Community Survey

Despite the overall increase in household income, the state's middle and lower income residents have not benefited as compared to wealthier residents of the state. The income gap between the state's most wealthy residents and least wealthy residents continued to widen during the middle part of this decade. A 2006 report by the Center on Budget and Policy Priorities states that the ratio of income between the richest 20.0% of families in Rhode Island and poorest 20.0% grew from 4.7 to 6.8 in the early 2000's, ranking 15th in the nation in terms of growth of the income gap. In terms of

² Moody's Analytics U.S. and Rhode Island Economic Outlook, November 2009.

the income gap between the richest 20.0% of families in Rhode Island and the middle 20.0% grew from 1.9 to 2.4, ranking 12th in the nation in terms of rate of growth.

The overall purchasing power for the state’s residents has also declined; per-capita personal income in Rhode Island declined by 4.9% from 2000 to 2007, ending at \$27,777. Among the New England states, Rhode Island ranked 4th in per-capita income, trailed by only Vermont and Maine, as Table 5.8 shows.

Table 5.8: Personal Per-capita Income by New England State

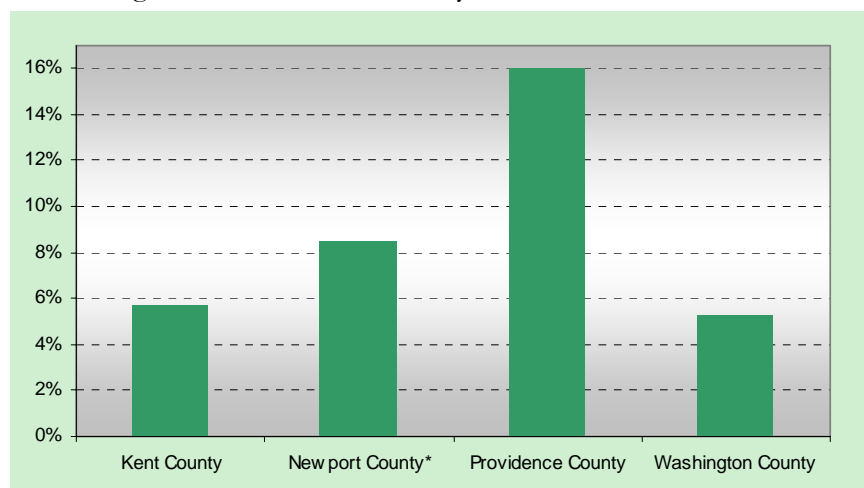
	2000	2007	Change
Connecticut	\$41,495	\$35,904	-13.5%
Maine	\$25,972	\$24,977	-3.8%
Massachusetts	\$37,756	\$32,822	-13.1%
New Hampshire	\$33,398	\$30,517	-8.6%
Rhode Island	\$29,216	\$27,777	-4.9%
Vermont	\$27,680	\$26,735	-3.4%
NE Average	\$32,586	\$29,789	-9.4%

Source: Census2000, 2007 American Community Survey

Poverty

In 2008, the percent of people in Rhode Island living below the poverty level was 11.7%, ranking 31st in the nation, down from 12.3% in 2005. Poverty is not equally distributed throughout the state. Census Bureau estimates show the highest percent of poverty in Providence County as of 2007; 14.9% of Providence County residents were below the poverty level, followed by just over 8% of Newport County residents, while just under 6% of Kent and Washington Counties were below poverty level.

Figure 5.3 Individual Poverty Rate, RI Counties, 2007.



Source: American Community Survey, 2007. *includes Bristol County

Child Poverty

In 2008 the percent of children in Rhode Island living below the poverty level was 15.5%, ranking 30th in the nation, a significant improvement from 19.5% in 2005 and a rank of 17th in the nation. Compared to other New England states, Rhode Island’s child poverty rank is now second to Maine, having been first during most of the past decade.

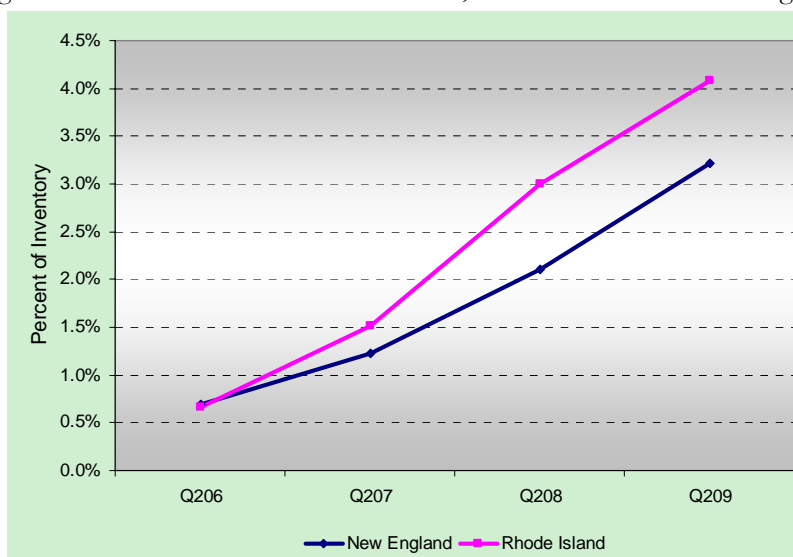
While the child poverty rate in Rhode Island remains high, fewer children receive governmental cash assistance. As of December 2008, there were 13,973 children in Rhode Island receiving cash assistance through Rhode Island Works program (RI Works), an 87% decrease since 2003³. Almost seven out of ten people receiving assistance through RI Works in 2008 were children. In Rhode Island’s core cities (Providence, Pawtucket, Central Falls, Woonsocket, West Warwick and Newport) 11% of children receive cash assistance through RI Works as compared to 23% in 2003. However, the numbers of children receiving cash assistance in the remainder of the state’s communities has increased, from 3.8 percent in 2003, to 6.0% in 2008.

Housing Foreclosures

Foreclosure activity in Rhode Island has ranked among the highest in New England and the nation. The reasons for this can be attributed in part to the steep escalation of home prices during the housing boom, the proliferation of subprime and Low-Doc (low documentation of income requirements) or No-Doc loans, and the state’s rapid economic downturn as the national recession took hold.

Figure 5.4 shows the percent of all loans in foreclosure for the second quarter of 2006 and 2009. As of Q209, the percent of loans in foreclosure in the state was 4.08, ranking 11th in the nation. Rhode Island ranked 9th in the same category during Q208, and 15th in Q207. According to the Federal Reserve Bank of Boston, the default of subprime adjustable loans was the largest contributor to Rhode Island’s increasing foreclosure rate.

Figure 5.4 Percent of Loans in Foreclosure, Rhode Island and New England

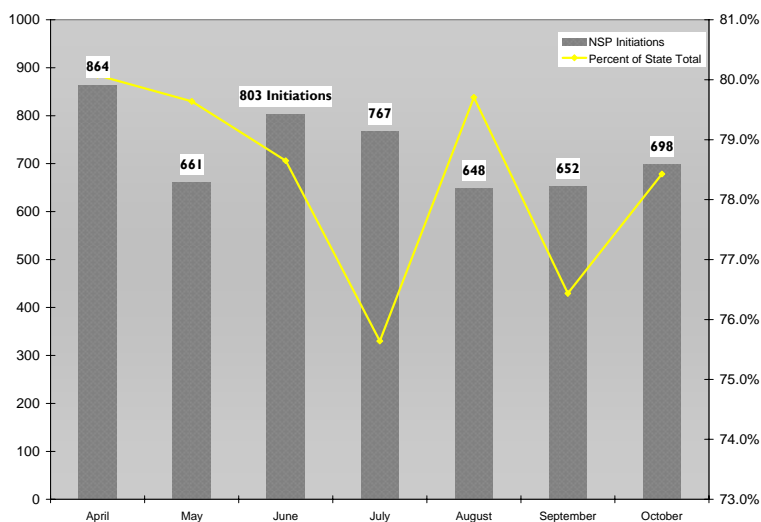


Source: Mortgage Bankers Association, National Delinquency Survey

³ Kids Count Factbook 2009

As the foreclosure crisis gained hold, Rhode Island Housing began to track and analyze the state’s foreclosure activity. Up to this point, data from national foreclosure “clearinghouses” provided only a rough snapshot of the foreclosure activity actually taking place in Rhode Island. Detailed foreclosure data was received from the Warren Group, the major repository for distressed property information in New England, in addition to several newspaper sources covering additional communities in the state. A relatively complete pool of foreclosure listing sources materialized in spring 2009, just as the state was experiencing its highest rates of foreclosure initiations.

Figure 5.5 Rhode Island Foreclosure Initiations, April to October 2009.



Source: The Warren Group, Rhode Island Housing

In tracking the state’s foreclosure activity, data on foreclosure initiations -the ‘start’ of the foreclosure process for a homeowner, was used as a basis for analysis. While not all foreclosure initiations result in an actual foreclosure, the initiations are useful in showing the severity of the foreclosure crisis affecting homeowners and communities of the state. From January to October 2009 alone, an estimated 9,100 foreclosure initiations occurred in Rhode Island. Of these, 6,500 initiations took place from April to October 2009.

Mirroring trends across the nation, Rhode Island’s urban areas have been hit hardest by foreclosure, accounting for the majority of foreclosure in the state. As a result, in 2008 eleven communities in the state were designated as Neighborhood Stabilization Program (NSP) communities. NSP was set up for the purpose of assisting in the redevelopment of abandoned and foreclosed homes and stabilizing communities. Rhode Island’s eleven NSP communities include: Central Falls, Cranston, Cumberland, East Providence, Johnston, North Providence, Pawtucket, Providence, Warwick, West Warwick, and Woonsocket. Figure 5.5 shows the number and percent of NSP foreclosure initiations relative to the state’s total. Maps of foreclosure initiations in the state can be found in the appendices D1 and D2.

The percentage of actual foreclosures taking place in the eleven communities NSP census tracks was also analyzed, used as a basis for allocating NSP funding. Table 5.9 shows the percentage of *homes* in each of the census tracks that resulted in an actual foreclosure during January to September 2008.

Table 5.9 Actual Foreclosures in NSP Target Areas

Municipalities	% of Target Area
Providence	44.61%
Pawtucket	12.01%
Cranston	8.91%
Central Falls	3.99%
Warwick	8.95%
East Providence	2.65%
Cumberland	2.40%
Woonsocket	5.29%
Johnston	4.03%
North Providence	4.03%
West Warwick	3.13%

i. Supply

Existing Housing Inventory

As of 2008, Rhode Island’s total housing stock was estimated at 451,770 housing units. Providence County contained the most housing units overall, accounting for 56.8% of all units, while Bristol County contained the least with only 4.5% of the state’s housing units. Of the total units, 248,404 or 55% were single-family detached structures, while 185,378 or 41% consist of 2 or more units, as Table 5.10 shows. The greatest percent of multi-family units are located in the state’s urbanized communities. Detailed unit information by municipality is available in 3-year aggregate for 17 of the 30 municipalities, and is located in Appendix B6.

Table 5.10 Units in Structure

Total housing units	451,770	%
1-unit, detached	248,404	55.0%
1-unit, attached	13,324	2.9%
2 units	49,831	11.0%
3 or 4 units	63,092	14.0%
5 to 9 units	24,317	5.4%
10 to 19 units	14,986	3.3%
20 or more units	33,152	7.3%
Mobile home	4,664	1.0%

Source: 2008 American Community Survey

Based on the total number of occupied housing units (402,538 in 2007) 63.6% were owner-occupied and 36.3% were renter-occupied. Rental housing in Rhode Island is fairly equally distributed

between one, two, and three-bedroom apartments, as shown in the below table. Two bedroom apartment are most represented at 39.1%, while studio apartments are least represented at 2.8% of all occupied rental units. The percent of rental units with three or more bedrooms was 27.0% in 2007. The majority of owner-occupied housing in the state is made up of two or more bedroom units, which is what one would expect in single-family housing.

Table 5.11 Characteristics of Occupied Housing Stock, 2007.

	Renter-occupied		Owner-occupied	
	Number	Percent	Number	Percent
Studio	4,053	2.8%	160	0.1%
1 BR	45,685	31.2%	8,466	3.3%
2 BR	57,258	39.1%	60,864	23.8%
3+	39,509	27.0%	186,543	72.9%
Total Units	146,505	100.0%	256,033	100.0%

Source: 2007 American Community Survey

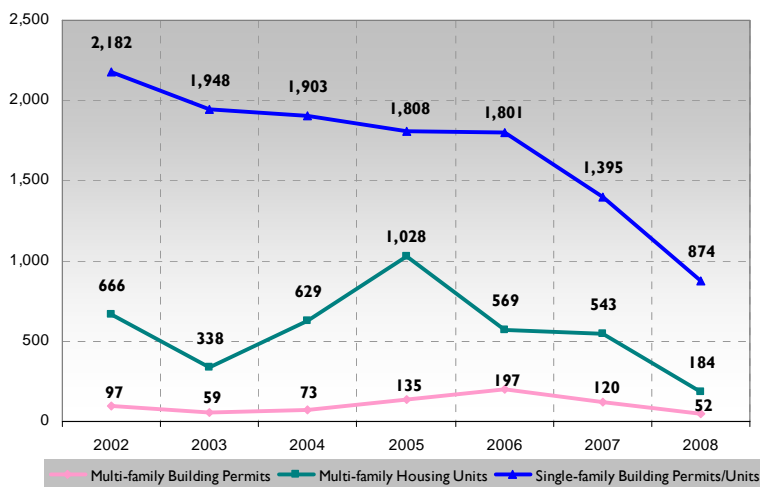
Residential Construction

Building permit and housing unit data is derived from the Census Bureau’s American Housing Survey. The number of building permits is regularly updated as municipalities release construction information and cannot be considered a definitive number of actual housing units. In addition, not every building permit issued by a municipality may result in an actual developed unit on the ground. Municipal level data treats each building permit as one housing unit.

Like many other states, housing construction activity in Rhode Island has experienced a recent decline due to the current economic recession. Figure 5.6 displays the number of new single-family and multi-family building permits issued during the years 2002 to 2008. The number of single-family permits issued declined from 2,182 to 874 during these years, falling off most significantly from 2006 to 2008 as the economic recession took hold.

Multi-family building construction has typically taken place at much lower rates than single-family home construction, although the volume of housing units produced is generally higher. From a high of 197 in 2006, only 52 multi-family building permits were issued in 2008, a decline of 73.6% or 385 multi-family housing units.

Figure 5.6: Building Permits/Unit Activity, 2002 to 2008.



Source: US Census Bureau, Housing Estimates

Residential Construction by Municipality

Rhode Island’s 39 communities vary in terms of annual numbers of building permit activity. The three communities with the highest number of single-family permits issued from 2004 to 2008 were Westerly (505 permits), Coventry (396 permits), and Cumberland (330 permits). The three communities with the least number of single-family permits issued from 2004 to 2008 are Central Falls (18 permits), Hopkinton (25 permits), and Warren (31 permits). Charts showing single-family and multi-family building permit activity by municipality are located in Appendix B7.

Multi-family (2 or more units) construction also varies by community. The three communities with the highest number of multi-family permits issued during 2004 to 2008 were Providence (465 permits), West-Greenwich (300 permits), and South Kingstown (247 permits). While some of the state’s more rural communities have developed significant amounts of multi-family housing, seven communities in the state did not construct any multi-family housing between 2005 and 2008.

Public and Assisted Housing

Rhode Island has 25 Public Housing Authorities (PHA’s) operating 9,604 units of public housing and Section-8 tenant based assistance. Of the 9,604 public housing units, 3,298 are reserved for families and 6,306 are reserved for elderly and disabled households. The majority of public family housing is located in the communities of Providence, Pawtucket, Woonsocket, and Newport; public elderly housing is significantly more dispersed throughout the state. Together, these units are a valuable source of affordable housing for Rhode Island’s extremely low- and low-income populations.

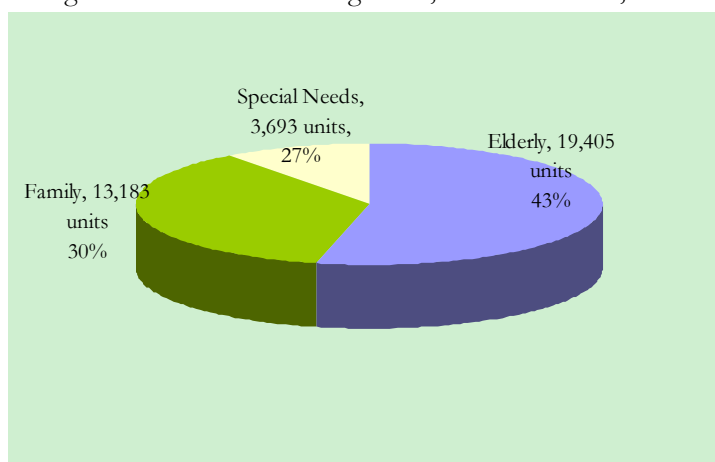
Over the years, PHA’s have begun providing a number of services to their residents. Sixteen Rhode Island PHA’s have implemented Family Self-Sufficiency programs enabling participants to utilize homeownership and online education, and job training opportunities, and to establish employment

goals that will help them become economically independent. Some PHA's provide meal sites, Resident Services Coordinators, health services and recreational programs for elderly and disabled residents. These services, combined with an affordable rent, make living in public housing desirable for many Rhode Islanders.

Assisted Units

Many different local, state, and Federal programs and funding sources contribute to the development of assisted, or low- moderate income housing in Rhode Island. As of 2008, there were 36,281 assisted housing units in the state, according to the 2008 Low-Moderate Income Housing chart, prepared annually by Rhode Island Housing. Figure 5.7 shows the breakdown by type of assisted unit in the state.

Figure 5.7 Assisted Housing Units, Statewide Total, 2008.



Source: Rhode Island Housing, 2008 Low-Moderate Income Housing Chart

Of the total statewide assisted units, elderly assisted housing accounts for 53.5%, or 19,405 units; family assisted housing accounts for 36.3%, or 13,183 units; and special needs assisted housing accounts for 10.2%, or 3,693 units. The amount of assisted housing in Rhode Island varies greatly by community (see the Appendix for Low and Moderate Income Housing by Community).

From 2005 to 2008, 1,435 units of new assisted (low-moderate income housing) units were developed; 353 units of elderly housing, 854 units of family housing, and 228 units of special needs housing. (See Appendix B8 for 2005 to 2008 Low and Moderate Income Housing Production by Community)

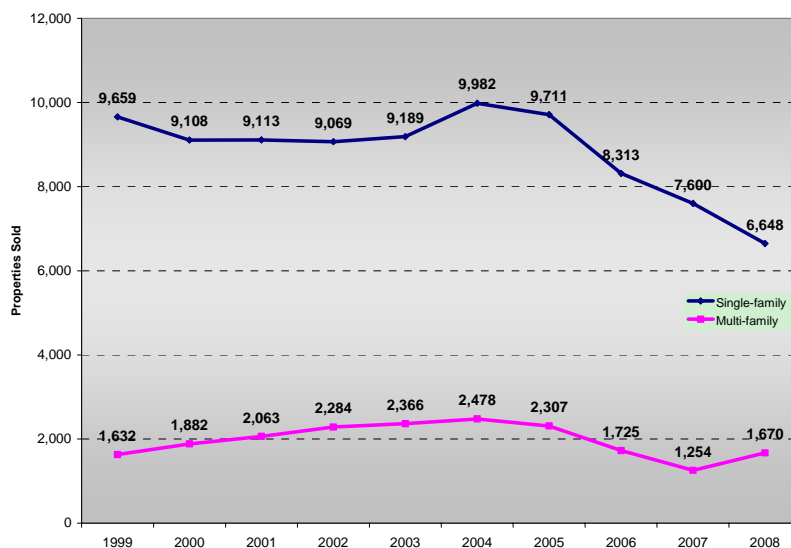
At-Risk Units

As developments that were financed in the past reach the end of their terms of affordability, some may be at risk of conversion to market-rate apartments depending on their location and condition, and most are in need of rehabilitation and refinancing. Rhode Island Housing has been working with the owners of these properties to refinance and rehabilitate them and to assure long term affordability and financial feasibility. Already over 10,000 affordable apartments in the state have been preserved. Affordability restrictions on 4,566 units are scheduled to expire between FY2010 and FY2015. Most owners are expected to seek to renew their contracts. However, if market conditions changed in such a way as to make conversion to market rate housing attractive, the loss of any of these deeply subsidized units would be very difficult to replace.

ii. Demand

Figure 5.8 shows the number of sales for single and multi-family homes in Rhode Island during the years 1999 to 2008. In recent years, following the economic downturn and softening of the housing market, single-family homes sales in have considerably decreased. From a high of 9,982 in 2004, single-family sales decreased by 33.4% to 6,648 in 2008. Multi-family sales, historically far less in volume than single-family sales, decreased 49.4% from 2004’s high of 2,478, to totaled 1,254 in 2007. Since then, multi-family sales have increased 33.2%, down 48.3% ending at 1,670 in 2008.

Figure 5.8 Single-family and Multi-family Properties Sold, 1999 to 2008.



Source: Rhode Island Association of Realtors, www.riliving.com

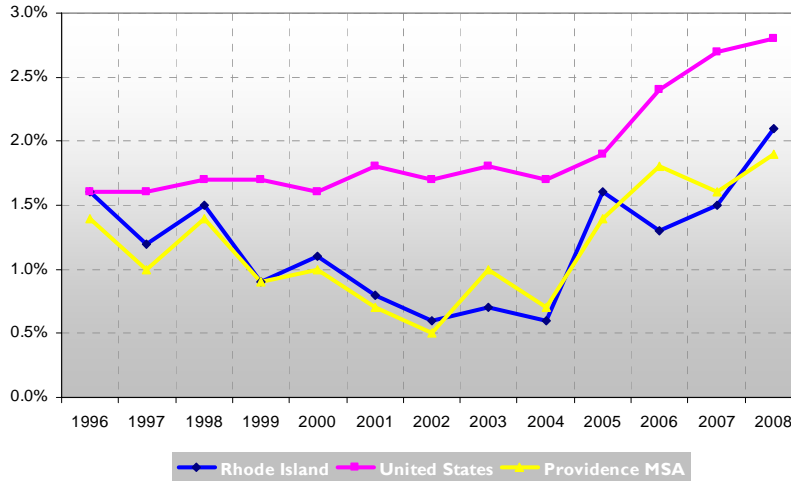
Homeowner Vacancy Rates

Vacancy rates are an indicator of housing demand; lower vacancy rates suggest a higher demand for housing, while higher rates suggests a lower demand. It should be noted however, that many other factors independent of vacancy data also have a bearing on housing supply and demand.

Rhode Island’s homeowner vacancy was 2.1% in 2008, slightly higher than the rate for the Providence MSA at 1.9%, but lower than the national rate of 2.8%. Vacancy rates in the state and

Providence MSA decreased from 2006 and 2007, as Figure 5.9 shows. Overall however, vacancy rates show an upward trend that mirrors the national trend.

Figure 5.9 Homeowner Vacancy Rates, 1996 to 2008.

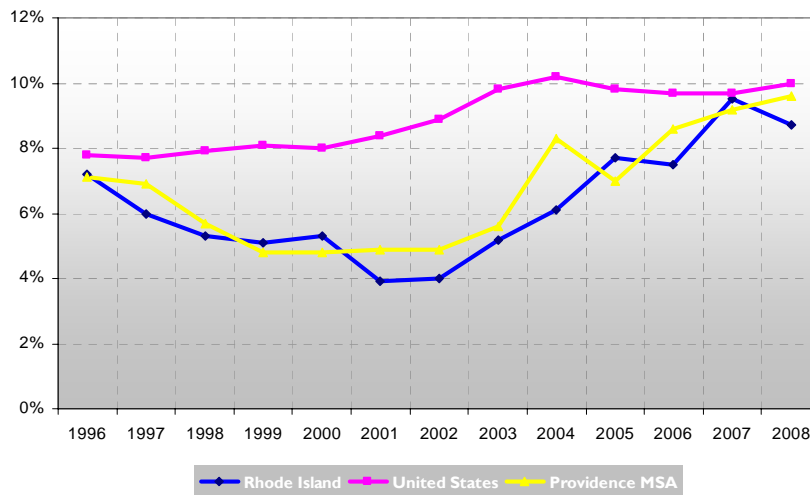


Source: US Census Bureau, Homeowner Vacancy Rates by State

Rental Vacancy Rates

Rental vacancy rates followed a similar pattern, dropping from 1996 to 2001 and then increasing significantly from 2002 to 2007, rising to just below national vacancy rates. From 2001 to 2004, the state’s vacancy rates have been 3 to 4 percentage points below the national rental vacancy rate. In 2008, Providence posted the highest rental vacancy rate in New England, according to HUD’s Q408 Housing Market Conditions report. Factors that impact increasing vacancy rates include the increased foreclosures of single and multi-family properties, the inability of renters and buyers to pay housing costs, and the conversion of the state’s rental stock to condos.

Figure 5.10 Rental Vacancy Rates, 1996 to 2008.

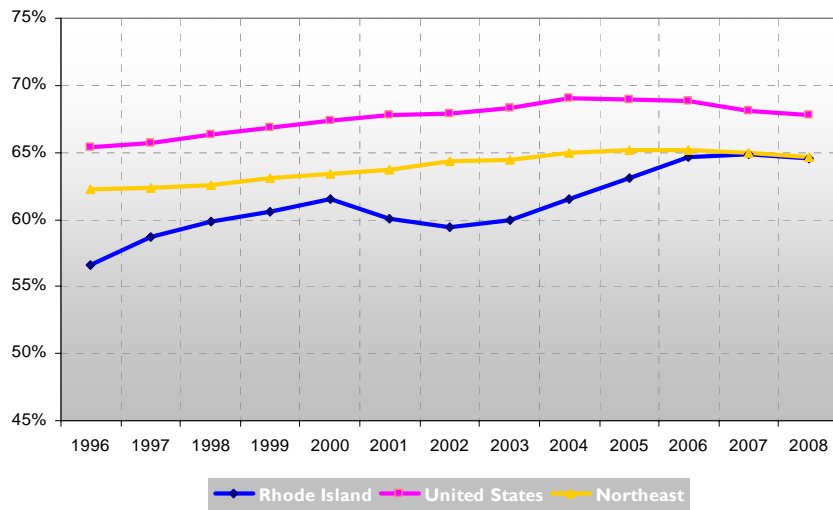


Source: US Census Bureau, Rental Vacancy Rates by State

Homeownership Rates

Rhode Island’s homeownership rate has historically ranked in the bottom tier of the nation. In 2008, the state’s homeownership rate was 62.4%, ranking 46th in the nation, the lowest rate in New England, and just below Massachusetts at 64.5%. In recent years, Rhode Island’s rate has increased closer to that of the Northeast, as seen in Figure 5.11. Following a 2.2% decrease in homeownership from 2000 to 2001, Rhode Island’s rate rose steadily during the housing boom years, reaching a high of 64.9% in 2007. At this time however, Rhode Island’s homeownership rate was still 5.0% percentage points lower than the US rate of 66.6%.

Figure 5.11 Homeownership Rates in the US, Northeast, and Rhode Island, 1996 to 2008

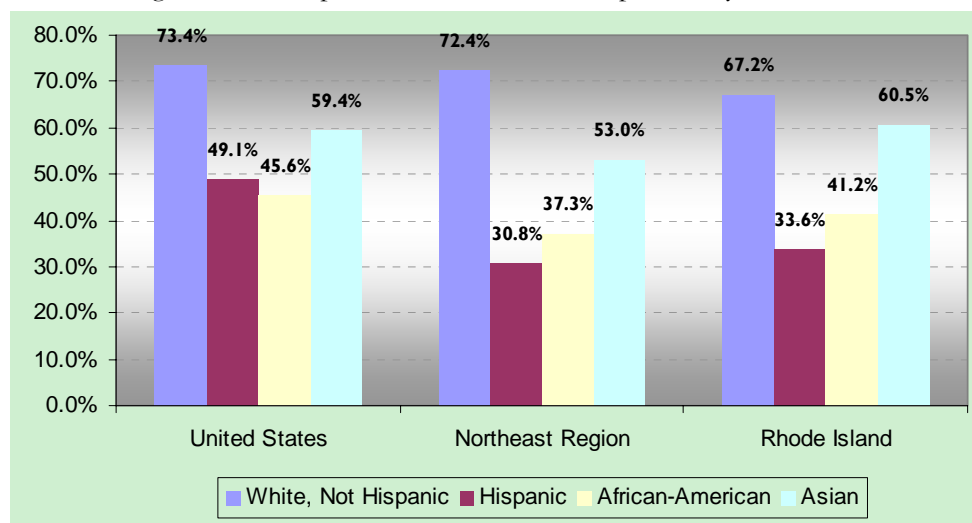


Source: US Census Bureau Homeownership Estimates

Homeownership and Race

Homeownership rates for the state’s major racial or ethnic groups are slightly higher than the Northeast, but lag behind national rates of homeownership by race, as Figure 5.12 shows. Overall minority households are less likely to own their own homes in Rhode Island, compared to the white, non-Hispanic population. Only 33.6% of Hispanic households in the state owned their own home in 2008, compared to 41.2% of African-American households and 60.5% of Asian households. Still, rates of homeownership for minority groups have improved since 2005, and are discussed in the following section.

Figure 5.12 Comparison of Homeownership Rates by Race, 2008



Source: 2008 American Community Survey

Table 5.12 shows the 2005 to 2008 trend for homeownership rate by race in Rhode Island. The rate for African-American households was 41.2% in 2008, an increase of 8.0 percentage points since 2005. Homeownership among Hispanic households increased by 4.0 percentage points; from 29.5% in 2005 to 33.6% in 2008. Homeownership rates for Asian households also increased by 4.0 percentage points. Homeownership rates for white, non-Hispanic households decreased slightly during the same time period.

Table 5.12 Homeownership by Race, 2005 to 2008 Trend

	2005	2008	Change
White Alone	68.1%	67.2%	-0.9
Hispanic	29.5%	33.6%	+4.1
African-American	33.2%	41.2%	+8.0
Asian	55.3%	60.5%	+4.1

Source: 2005, 2008 American Community Survey

iii. Cost

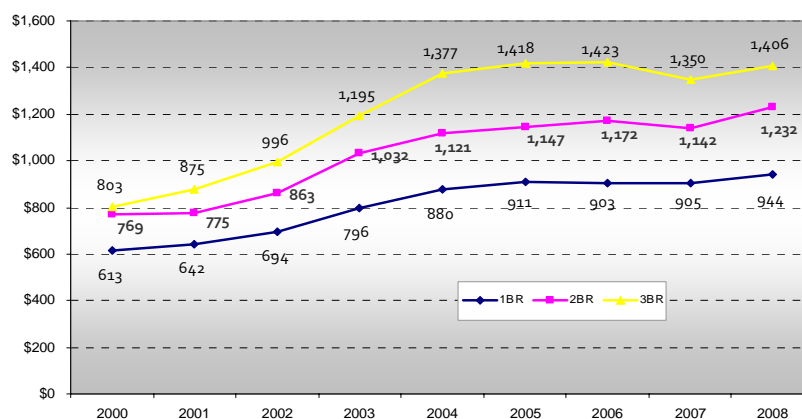
Rental Housing Prices

The cost of rental housing in the Rhode Island, while not comparable to metropolitan Boston and Connecticut markets, is still unaffordable for many Rhode Islanders. After a modest fall off in 2007 as the recession took hold, as of 2009 average rents had returned to levels on par with those at the height of the housing boom in 2005 and 2006. The lack of any significant decrease in rents has been attributed in part to the significant number of rental properties lost to foreclosure and the increase in renters seeking housing as a result of homeowners who lost their homes to foreclosure.

Figure 5.13 shows the average rent increase by bedroom size from 2000 to 2008. Since 2000, Rhode Island Housing has conducted an annual rent survey, tracking average rents across the state. From 2000 to 2006 (the housing boom years), the average rent for a two bedroom apartment in Rhode Island increased 92.0%, from \$863 to \$1,172. In 2008, the average monthly rent including utilities was \$1,232 for a two-bedroom apartment and \$1,406 for a three-bedroom apartment. The three-

bedroom rent in 2008 was only slightly lower than the average rent for a three-bedroom at the peak of the housing market in 2006. Average advertised rents for one and two-bedroom apartments reached their highest average level in 2008 at \$944 and \$1,232 respectively following a slight decline in 2007.

Figure 5.13 Average Rents by Bedroom Size, 2000 to 2008.



Source: Rhode Island Housing Annual Rent Surveys

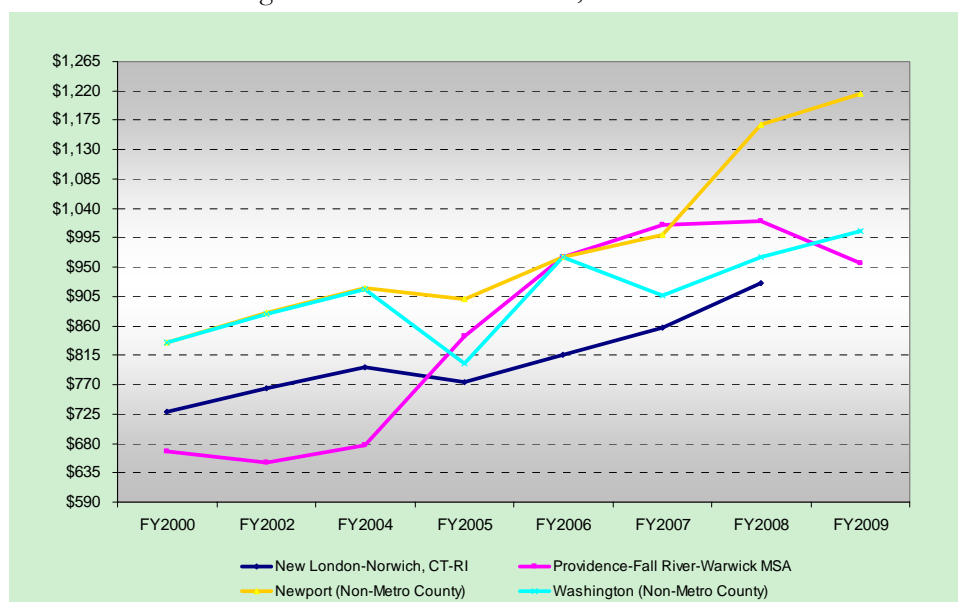
Rents vary dramatically by geographic location. Coastal communities had the highest rents in 2008; the three highest for a two bedroom were: Newport (\$1,545), Jamestown (\$1,512), and Narragansett (\$1,508). Urban core communities had the lowest rents, including: Central Falls (\$937), Woonsocket (\$976), and Pawtucket (\$1,068), based on data for those communities with significant numbers of rental listings. (See Appendix B1 for a list of 2009 rents by community.)

Many Rhode Island communities are still not affordable for renters below area median income. Rental problems are exacerbated for extremely low, low and moderate-income renters due to the scarcity of affordable rental housing outside of the urban core and its immediate suburbs. This is especially problematic for families.

Fair Market Rents

HUD designated Fair Market Rents (FMR) are intended to be set high enough to allow for a selection of rental units in an HUD Metro Fair Market Rent Area (HFMA), but low enough to serve as many low-income families as possible. From 2000 and 2008, FMR's increased by an average of 35.0%, as seen in Figure 5.14. The Newport County MSA experienced the largest FMR increase in recent years, 34.8% from 2005 to 2009, from \$901 to \$1,215. FMR's decreased in the Providence-Fall River-Warwick MSA, dropping 6% from \$1,020 to \$956 during 2008 to 2009.

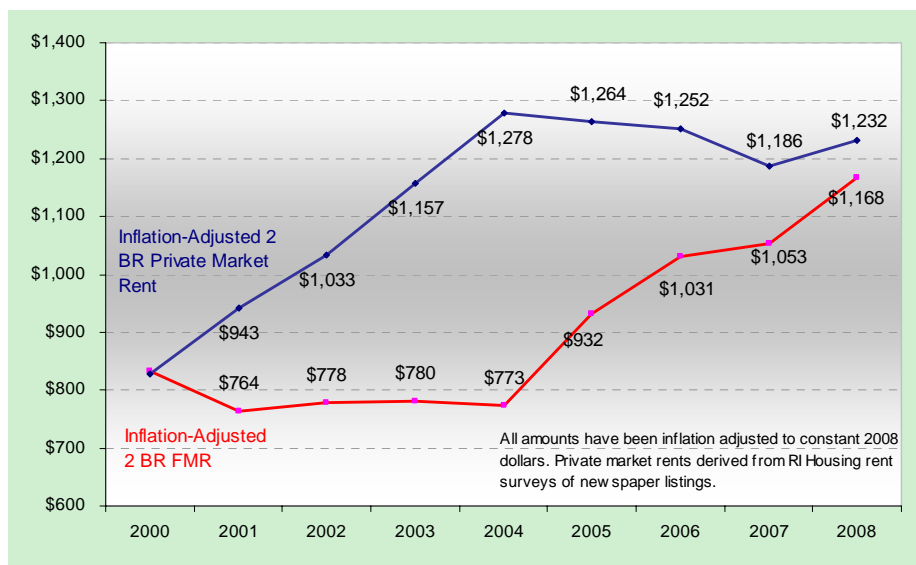
Figure 5.14 Fair Market Rents, 2000 to 2008.



Source: HUD Fair Market Rents

Figure 5.15 shows the trend over time for a two-bedroom unit at FMR versus the average two-bedroom rent in the state. As the average two-bedroom rent in the state steadily increased during the first half of this decade, the two-bedroom FMR was relatively flat. In more recent years, the average two-bedroom rent has flattened, while the two-bedroom FMR has increased to allow for more selection of units.

Figure 5.15 Comparison of Average Two-bedroom Rents in the Private Market vs. HUD Fair Market Rents, Rhode Island, 2000 to 2008.



Source: Rhode Island Housing Rent Survey, National Low Income Housing Coalition

Each year the National Low Income Housing Coalition ranks states in terms of housing affordability by using HUD Fair Market Rents and levels of Area Median Income. In Rhode Island in 2009, an extremely low income household (earning \$22,002, 30% of the Area Median Income of \$73,339) can

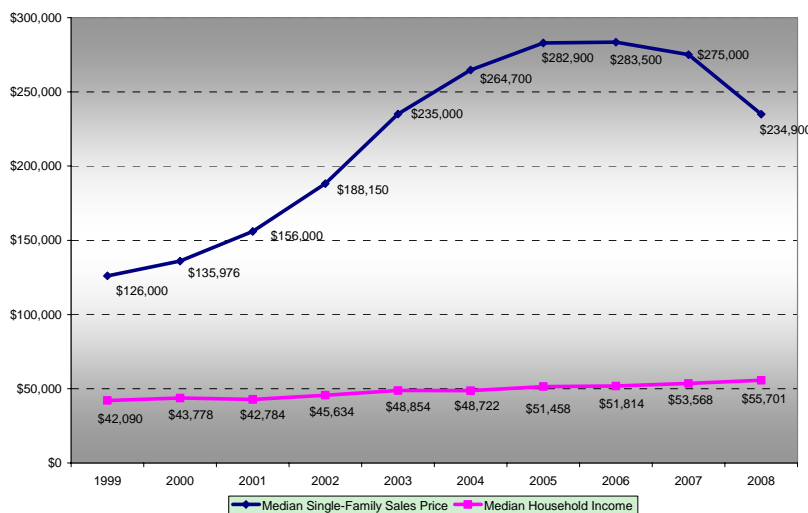
afford monthly rent of no more than \$550. A minimum wage earner earning \$7.40 per hour must work 101 hours per week in order to afford the two-bedroom FMR of \$976.

Broken down by geographic location, in the Newport-Middletown-Portsmouth HMFA an extremely low income household earning \$25,110 (30% of \$83,700 AMI) can afford monthly rent of no more than \$628. In the Providence HMFA an extremely low income household earning \$21,750 (30% of \$72,500 AMI) can afford monthly rent of no more than \$544; in the Westerly-Hopkinton HMFA an extremely low income household earning \$23,130 (30% of \$77,100 AMI) can afford monthly rent of no more than \$578. These minimum rents, however, are considerably lower than average rents in the state.

Home Prices

Despite the recent downtrend, median home prices in the state have increased significantly during the past decade, especially when compared to median-household income as Figure 5.16 shows. From 1999 to 2006 the median sales price for single-family home increased from \$126,000 to \$283,500, a difference of 125%. Since the economic downturn and collapse of the national housing market, median sales prices have decreased considerably. By 2008, the median sales price for a single family home dropped to \$234,900, a 17.1% decrease since 2006. A map of 2008 single-family median-sales prices for all 39 communities is located in Appendix D3.

Figure 5.16 Median-Sales Price for a Single-Family Home, 1999 to 2008



Source: 2008 American Community Survey; RI Association of Realtors

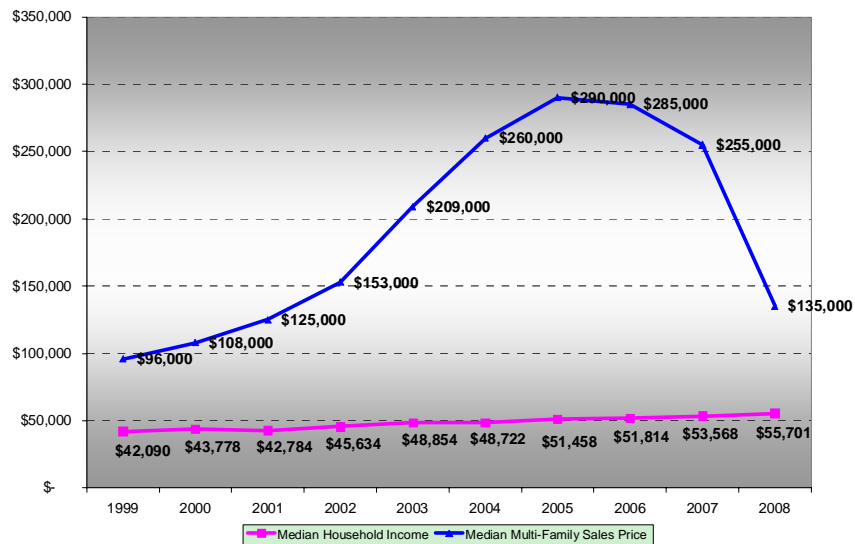
The recent decline in home values varies among the state’s 39 municipalities. Urban centers contain lower value homes than in the surrounding areas due, in part, to the age, condition and size of urban structures. In addition, factors including perceptions of safety, quality of education, neighborhood amenities and tax rates, decrease housing values in Rhode Island’s urban communities. Conversely, Rhode Island’s coastal communities contain some of the state’s most desirable properties; these locations have seen much lower decrease in home values compared to the urban areas.

From 2005 to 2008 single-family median home prices declined by 41.2% in Providence, 21.1% in Warwick, and 16.9% in Cranston. Rural communities also experienced considerable decline in home prices; Foster and Tiverton experienced a 30.8% and 25.7% respective decline in median home prices during the same time period. The state’s most desirable, coastal communities saw the least decline in median home prices; Barrington and Jamestown experienced a 6.0% decrease in median single-family home prices from 2005 to 2008.

Multi-Family Properties

Multi-family sales prices in Rhode Island have followed a trend similar to single-family homes, seen in Figure 5.17. From 1999 to 2005 the median sales price for a multi-family property rose \$96,000 to \$290,000 in 2005, an increase of 202%. Since then, the median sales price has decreased by 53.5% ending at \$135,000 in 2008. The sharp escalation of prices earlier in the decade contributed to a subsequent increase in rental prices. More recently, the state’s many foreclosures continues to push down prices for multi-family properties, potentially threatening their viability, possibly impacting many low- and moderate- income renters.

Figure 5.17 Median Sales Price for a Multi-Family Home, 1999 to 2008



Source: 2008 American Community Survey; RI Association of Realtors

iv. Condition

Rhode Island possesses one of the nation’s oldest housing stocks. As of 2008, the median age of for housing in the state was 1956. Just over 34% of the state’s housing stock was built prior to 1939, ranking second in the nation behind Massachusetts. About 40% of housing was built between 1940 and 1979, and 24% was built post 1980.

An aging housing stock can lead to blight and health and safety issues if not properly maintained. The state's higher rate of lead poisoning is related to the age of housing stock since many units built before 1979 still contain lead-based paint. These issues are discussed in more detail under Condition of Housing and Lead Based Paint Needs.

In developing new housing units or rehabilitating existing units, Rhode Island Housing is committed to ensuring that housing is affordable *and* healthy for residents. As described in the monitoring section, the affordable housing development programs administered by Rhode Island Housing include standards for quality and maintenance that Rhode Island Housing is charged with monitoring and enforcing. All housing units developed through Rhode Island Housing programs must also be Lead Safe. Rhode Island Housing has also developed a home repair program to assist with addressing code issues in conjunction with lead hazard remediation activities. Rhode Island Housing is a member of the New England Asthma Regional Council (ARC) and assisted in the development of healthy building guidelines. Most of the practices outlined in the guidance are standard requirements under Rhode Island Housing’s development programs. The Housing Resources Commission also participates in the development and implementation of the State Asthma Plan and the work plan of its Office of Community Development includes promoting the development of healthy housing. The Section 8 voucher program also requires landlords to meet the program’s housing quality standards in order to participate.

B. Homeless Facilities and Services Inventory

The statewide emergency shelter system consists of 26 facilities providing 872 shelter beds for individuals and families. This system also includes 6 domestic violence shelters. The agencies in the emergency shelter system provide direct services to help clients move through a continuum of housing and service delivery options. Several are also community soup kitchens and/or pantries.

Through Rhode Island's transitional housing programs, individuals and families can access temporary housing for up to two years. Rhode Island has 561 transitional housing units and 1,287 permanent supportive housing units for the homeless. There are at least 2,161 beds/units targeted to homeless Rhode Islanders in need of shelter.

Table 5.13 Rhode Island Shelter System

Type of Shelter	Beds/Units
Emergency	872
Transitional	561
Permanent Supportive Housing	1,287
Total	2,161

Source: Housing Inventory Chart, Rhode Island Housing

Rental Assistance

Rhode Island Housing administers federal Shelter Plus Care funding for the state which is currently providing rental assistance to 152 homeless disabled Rhode Islanders, up from 126 individuals in 2008. The state has coupled this rental assistance with services provided through the state's Housing First program to provide permanent supportive housing to eligible homeless Rhode Islanders.

Rhode Island Housing established the RoadHome program in 2007 to meet a growing need for deeply subsidized housing opportunities. The Road Home is designed to integrate rental assistance and supportive services for populations who are homeless, or provide limited cash assistance for those at risk of homelessness. The intent of the Program is to reduce the population of shelters. The program is intended to replace the old State RAP program as developments in the program are preserved and refinanced. Since launching the program in July 2007, 360 people have rental assistance and services. Of the current 226 program participants, 23% have been housed for more than 2 years, 26% for more than 1 year and 38% between 6 months and 1 year.

In 2009 the Emergency Housing Assistance Program was incorporated into RoadHome. This Rhode Island Housing financed program provides up to \$1,200 for security deposits, first months rent or mortgage assistance to Rhode Islanders who are homeless or at risk of homelessness and can demonstrate that they will be able to maintain their housing costs moving forward. After years of relatively stable demand, requests for assistance have spiked during the current economic downturn. In PY2009 1,570 families were assisted through the RoadHome program, a 30% increase over PY2008. So far in PY2010, 1,046 families in need have already been assisted. The new federal Homelessness Prevention and Rapid Re-housing program (HPRP) should help to meet this increased need by providing a source of short-term rental and utility assistance to Rhode Islanders who would be homeless but for the program. Both programs are distributed primarily through the state's community action agencies and homeless providers.

A complete inventory of emergency, transitional and permanent supportive housing is included in Appendix E.

C. Special Needs Facilities and Services

As of 2008, there are 3,693 assisted units in the state for special needs populations. In addition, the state maintains 2,449 group home beds for special needs populations. These special needs homes include 341 units for the disabled funded through HUD's 811 program, 467 transitional units, and 436 units funded through HUD's permanent supportive housing program and various other sources, according to the 2008 Low-Moderate income Housing Chart.

Special Needs Rental Production Program

Rhode Island Housing established the Special Needs Rental Production Program in 2006 to provide resources for the production of rental housing for homeless, disabled and/or very low-income individuals and families. Under the program, Rhode Island Housing provides amortizing and deferred loans to developers for the acquisition and development of housing with supportive services for special needs populations. Initially funded with \$2,000,000 the Program received an additional allocation of \$2,000,000 in 2007. Over \$3 million has been awarded to partnerships between housing developers and social service agencies to develop 88 units of special needs rental

housing. All projects must include a Service Plan ensuring that Social Services will be provided to residents of these Developments. Social services are not funded by the program.

Neighborhood Opportunities Program

Established in 2000, the state's Neighborhood Opportunity Program (NOP) was designed to provide funding for capital and operating costs for the development of permanent supportive housing for the homeless, housing for working families earning minimum wage, and affordable homeownership. However, due to significant budget cuts in recent years, only \$2.5 million in operating support for Permanent Supportive Housing has been provided. The Permanent Supportive Housing Fund (PSH) provides gap financing and operating support for the acquisition, construction, or rehabilitation of rental housing for individuals and families who have a determination of disability by a qualified professional and who require on-going supportive services. The primary purpose of the PSH is to produce units of permanent affordable rental housing for families and individuals with very low income (at or below 40% of State median income) who are homeless or at risk of being homeless.

Thresholds Program

The Thresholds program, funded by MHRH and administered by Rhode Island Housing, provides approximately \$400,000 annually in capital funds for the development of affordable homes for people with mental disabilities. This funding is usually coupled with other capital and operating funds to ensure affordability for the residents. Funding for permanent rental housing for persons with mental illness, provided \$706,492 in capital development funding of nine units in PY 2008.

D. Barriers to Affordable Housing

Land Cost/Availability

A basic impediment to affordable housing in Rhode Island is its compact size of 1,045 square miles, and the limited availability of public water and sewer. The limits to the amount of easily developable land contributes to the fact that approximately 45% of the cost of a new home in Rhode Island is attributable to land acquisition and infrastructure—as opposed to 34% nationwide.⁴ Even with the state's recent drop in home prices due to the foreclosure crisis, development and land costs remain a significant impediment to the development of affordable homes.

While many municipalities have formerly industrial sites that have sat idle for years, the costs for brownfield assessment and remediation makes converting these structures to affordable housing a challenge. Moreover, given the contamination that may be involved in a brownfield site and the fact that many of these sites are located in lower-income urban communities, it is important that any brownfield site redeveloped as affordable housing meet all applicable state and federal environmental standards and that the developer follow all public notification and participation procedures required under Law, which adds to the cost and time required for development.

Limited Funding

One of the greatest obstacles to eliminating the cost barriers to affordable housing is the limited availability of federal and state resources. Rhode Island maximizes these limited resources by:

⁴ RIPEC report 2003

working with other stakeholders and leveraging all sources of funding. However, given the number of households who cannot afford current housing costs and the size of that affordability gap, there is simply not enough funding available to meet the state's needs. The current economic downturn has exacerbated this problem by further widening the gap between what housing costs and what households can afford and pushing many families and individuals who may have previously been able to afford their housing costs, into housing crisis. Even as new funding sources like the National Housing Trust Fund become available, state resources such as the housing bond and NOP are threatened by the state's dire economic situation.

Recent changes to the state's Low and Moderate Income Housing Act provided municipalities with the authority and incentive to subsidize the development of affordable homes through density bonuses, fee waivers and other tools. To date, ten Rhode Island communities have utilized this authority to create 109 affordable units. These changes also expanded development capacity in the state by attracting for-profit developers, whereas most affordable housing development is being carried out by non-profit community development corporations with often limited capacity and geographic focus. However, the current turmoil in the housing and financial markets is likely to dampen both the effectiveness of these subsidies and the interest of for-profit developers for several years.

Zoning and Land Use Regulations

One of the most often cited barriers to development of affordable homes is the state and local regulatory framework that makes the process expensive and time consuming. The State's Constitution grants municipalities the right to determine the manner in which they develop their land, and many recognize the importance of having land-use laws to facilitate the development of housing for persons of different economic means. However, many of Rhode Island's suburban and rural municipalities have instituted "large-lot" zoning policies that relegate much buildable land to parcels of one-half acre or larger, with a large percentage of these parcels zoned for two acres or more. This zoning reduces the number of buildable parcels, which in turn increases the cost of development. Additionally, many municipalities do not permit zoning by-right for multi-family housing and have stringent land-use policies that forbid the mixing of commercial and residential uses. In effect, this split has served to further segregate the state's highly diverse population along urban-suburban and exurban lines. Further exacerbating this split is the limited availability of public transportation outside of the commercial core. Many of the historic villages that are considered some of Rhode Island's most scenic and popular places could not be replicated in most communities today due to the existing zoning and land-use controls. Both of these issues not only further complicate the costs for the developer, but they also serve to limit housing choices and convenient locations for those who are seeking housing.

A number of Rhode Island municipalities continue to use **growth caps** as well as added various fees and charges to the development process. In an effort to manage what they cite as the harmful impact of unsustainable growth, particularly with regard to their local schools, growth caps limit developments in some municipalities to as few as 20-25 building permits per year, divided evenly per quarter sometimes requiring builders to wait 3-6 months before proceeding on their permit to build.

Impact fees are charged for each newly constructed unit to cover the cost of increased services, including schools and recreation facilities. In 2000, Rhode Island passed legislation enabling cities and towns to impose impact fees and creating a standardized process for municipalities to calculate the amount of the fee based on the potential impact that additional residential development will

have on the municipality's ability to provide services. The impact fees can range from a few hundred dollars to almost \$8,000 per unit. The Rhode Island Supreme Court acknowledged, in a decision addressing an appeal from a State Housing Appeals Board decision, that "...the imposition of these (impact) fees upon low and moderate income housing initiatives may have a deleterious effect on the development of affordable housing in the community."

The Housing Act of 2004 required every municipality in the state that had not yet achieved its 10% affordable housing goal to develop an affordable housing plan to identify how the community will achieve that goal. Many towns proposed revising zoning ordinances to allow for denser development, especially in their town centers, or permitting density bonuses in new subdivisions. However, while some communities have implemented their proposed zoning changes, and fee and growth cap waivers, most have not.

As of 2008, most of the communities have moved forward on at least some ordinance changes that could reduce barriers to development. However, many more strategies that were identified in the affordable housing plans have not yet been implemented.

Building Codes

Building codes are necessary in order to assure quality structures that are free from defect and assure the health and safety of occupants. They also provide consumer protections for buyers of real estate. However, they also add additional cost to development. Fire codes and historic preservation requirements in particular are often identified as contributing to significant cost increases, development delays and design challenges. The State has also taken other steps to reduce barriers to affordable housing development. It has revised its building code language regarding housing rehabilitation, following the New Jersey model, to allow developers to rehabilitate older buildings without having to meet all currently mandated fire and building safety codes. The State is currently in the process of adopting the International Rehabilitation Code.

Return on Investment

Market forces are the primary determinant for a developer's ability to maximize his/her return on investment (ROI). However, a number of the cost factors and regulations cited above have been cited by developers as adversely affecting their ROI. Some of the strategies towns are adopting to encourage the development of affordable homes may have the opposite effective if they are not accompanied by incentives adequate to offset the costs for the developer. For example, many communities have adopted inclusionary zoning ordinances as part of the implementation of their affordable housing plans. However, some developers have argued that the density bonuses and other incentives included in the ordinance are not sufficient to offset the additional cost to the developer of building the affordable units.

As stated above, the current instability in housing and financial markets is also a significant barrier to the development of affordable homes, particularly by for-profit developers. Development financing is now much more difficult to secure and the price potential purchasers or renters are willing or able to pay for housing is still very much in flux.