



Rhode Island Housing

# PROJECTING FUTURE HOUSING NEEDS IN RHODE ISLAND

April 2016



# Where Are We Coming From?

## Great Recession

**11.3% unemployment**

(June 2009)

**The Providence Journal**

June 22, 2009

**No quick end seen to rising unemployment**

**Housing Crisis:  
Foreclosure Rate 4.2%**

(2010)

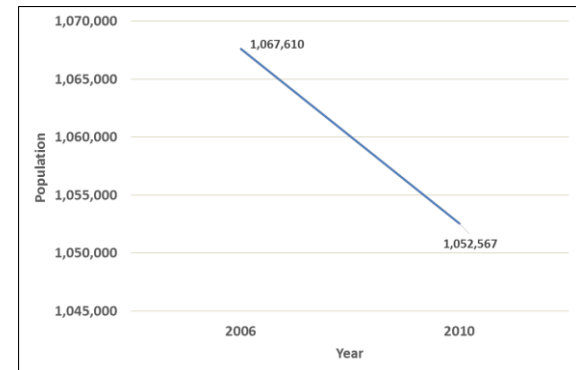
**The Providence Journal**

October 24, 2010

**'Foreclosure-gate' adds uncertainty**

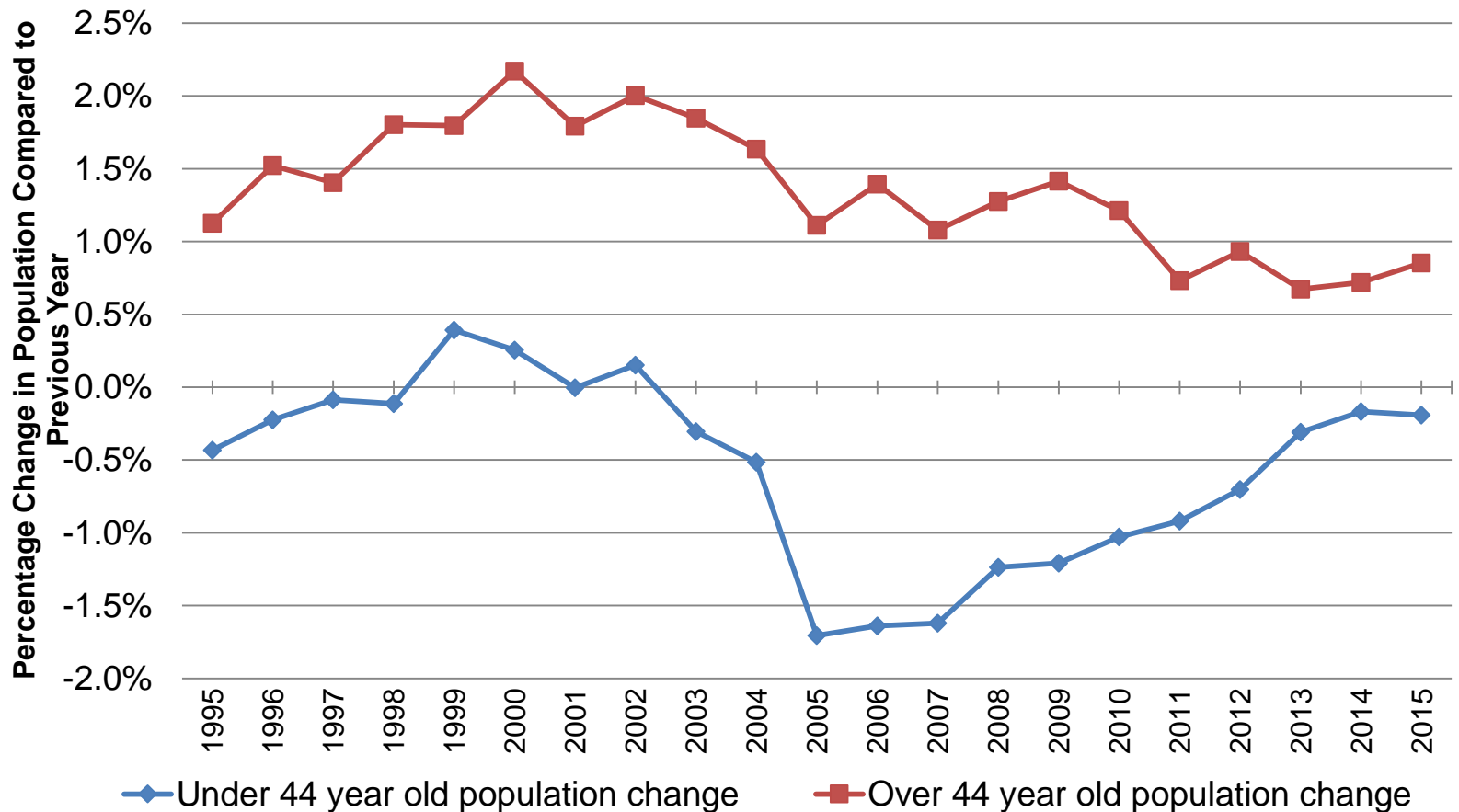
**Population Decline:  
Fastest in the nation**

(2006-2010)



# Where Are We Coming From?

## Rhode Island Population Change Over 44 and Under 44 years old



# The Good News

**Declining Unemployment Numbers:  
Unemployment at 5.4%**  
(January 2016)

**Housing Crisis:  
Foreclosure Rate 2.41%**  
(2015)

**Population Starts to Increase**

## *The Providence Journal*

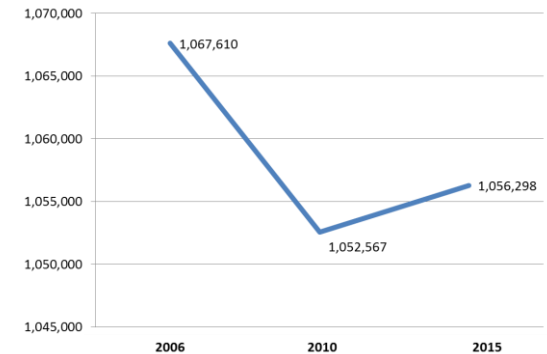
December 4, 2015

**RI unemployment rate has  
largest 1-year decline in nation**

## *The Providence Journal*

December 4, 2015

**Residential foreclosures  
continue to decline in R.I.**



# Creating a Thriving Economy



- The Governor and Legislature have been working together with a laser-like focus to improve Rhode Island's economy
- The creation and design of programs has been targeted at the three critical elements of a thriving economy

# Creating a Thriving Economy



## Creating New Jobs

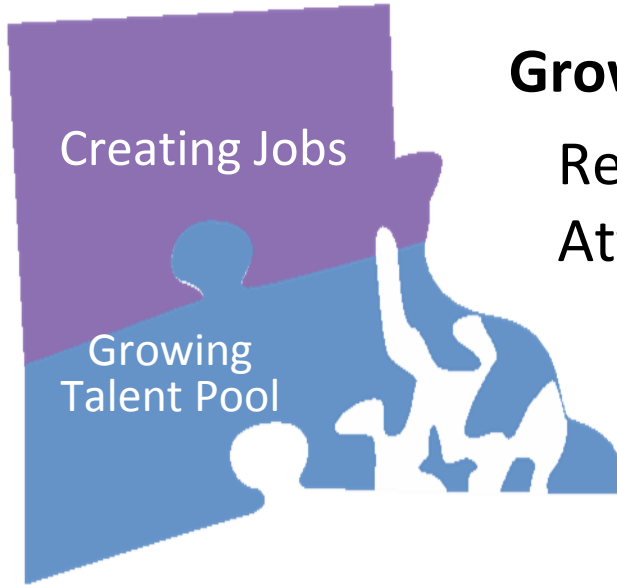
Attracting new companies

Growing existing companies

Unprecedented Number of New Programs

- Qualified Jobs Incentive Tax Credit
- Rebuild Rhode Island Tax Credit
- Anchor Institution Tax Credit
- Small Business Assistance Program
- I-195 Redevelopment Fund Innovation Vouchers
- Industry Cluster Grants
- Innovation Network Matching Grants
- Innovative Rhode Island Small Business Fund
- Main Street Rhode Island Streetscape Improvement Fund
- Tax Stabilization Incentive
- Tax Increment Financing

# Creating a Thriving Economy

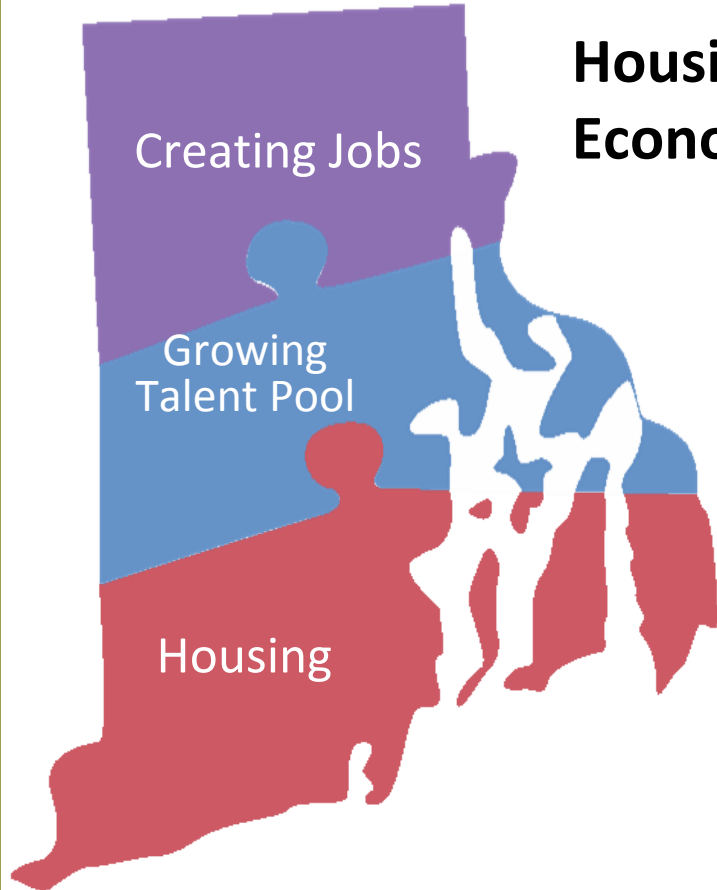


## Growing Our Talent Pool

Retaining talented young people  
Attracting new workers here

- Wavemaker Fellowship
- Real Jobs Rhode Island
- P-TECH Program
- Ocean State Grad Grant

# Creating a Thriving Economy



## Housing – A Key Driver of Economic Growth

### State

- Housing Opportunity Bond
- Housing Preservation and Production Program
- Real Estate Transfer Tax
- Rebuild Rhode Island Tax Credit

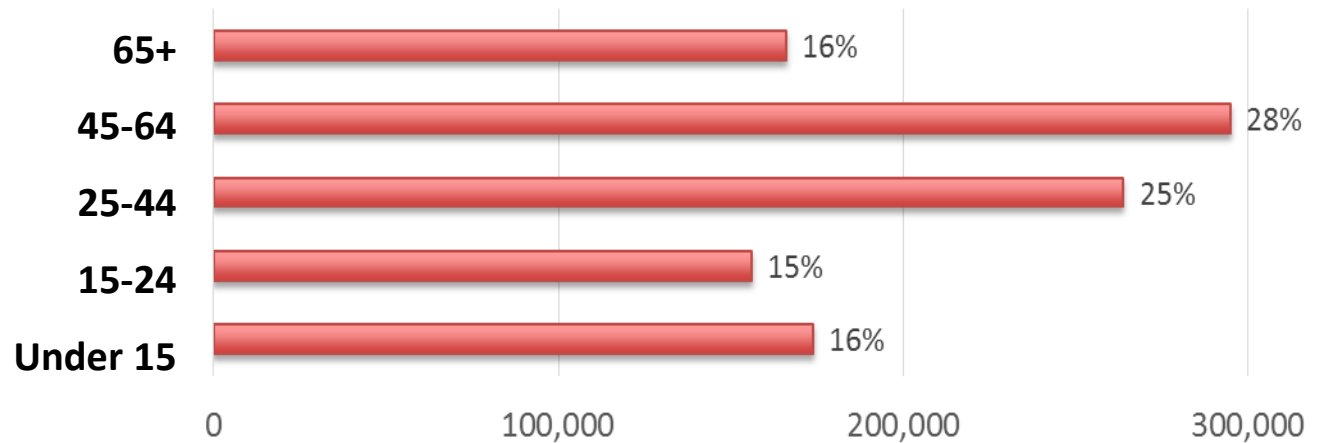
### Federal

- Federal Finance Board
- National Housing Trust Fund

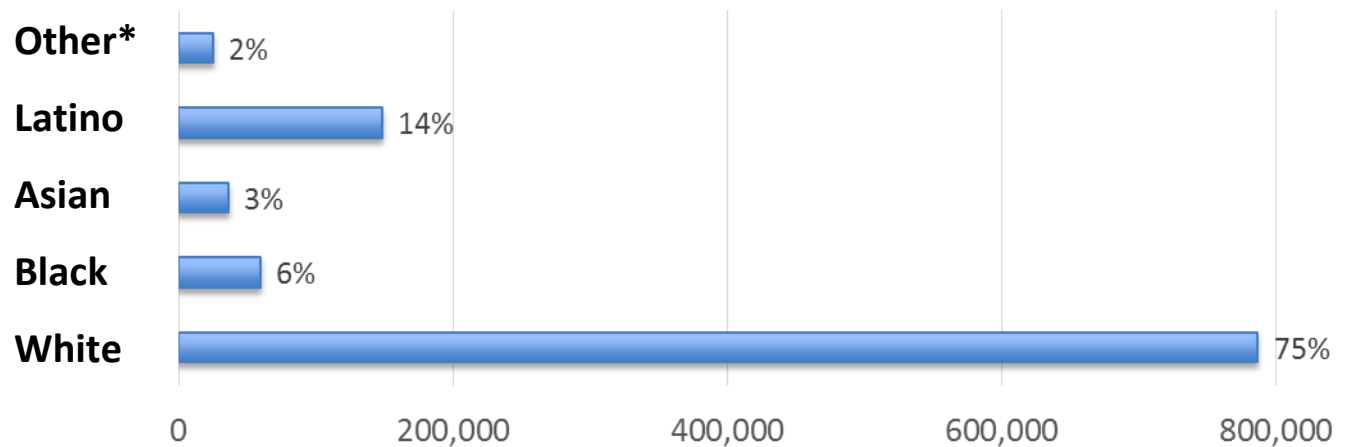


# Who We Are Now

## Rhode Island Population, By Age (2014)

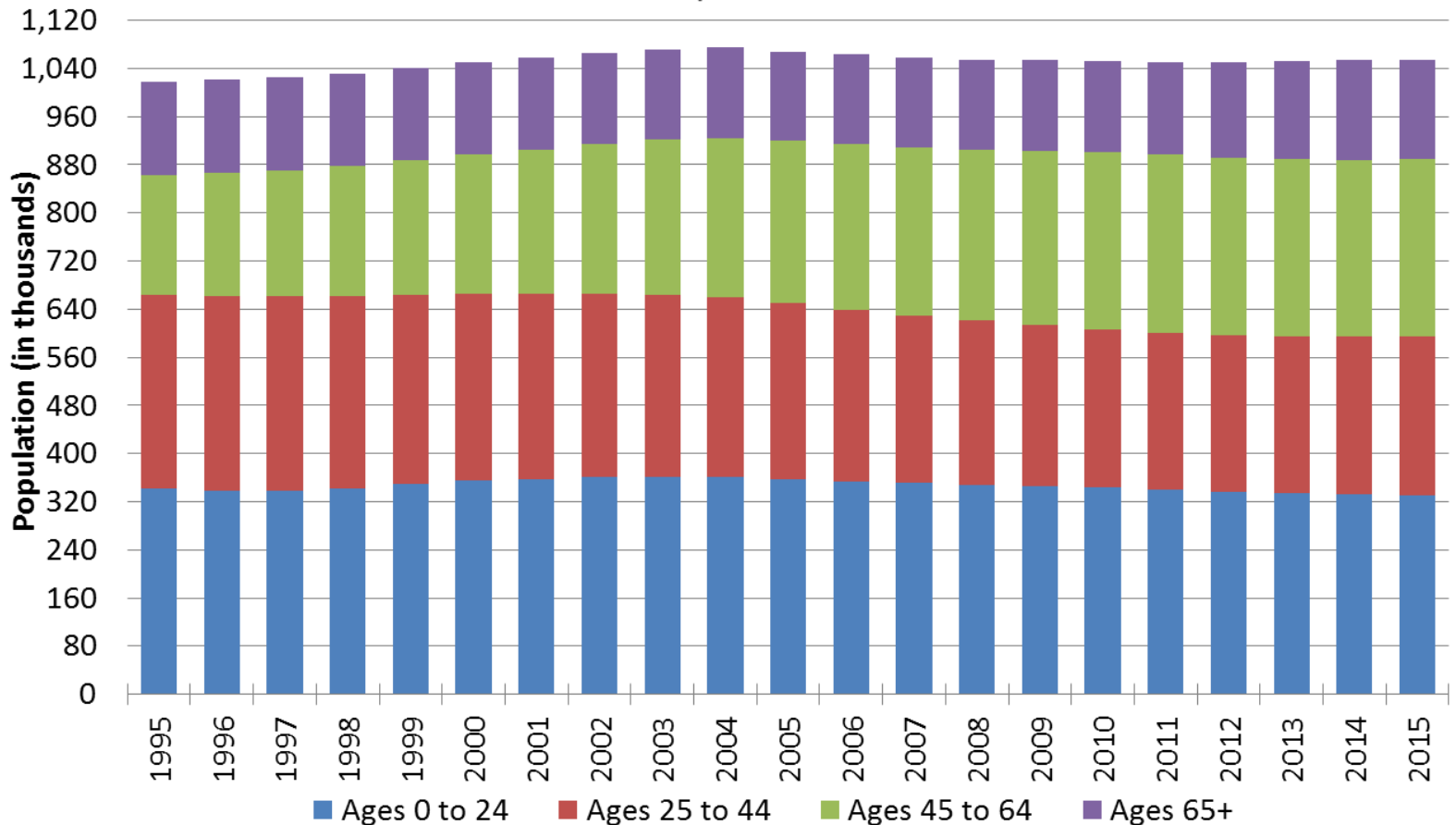


## Rhode Island Population, by Ethnicity (2014)



# RI's Population is Shifting

## Rhode Island – Total Population By Age Annual, 1995 to 2015



# Projecting Future Housing Needs in RI



## A Comprehensive Study

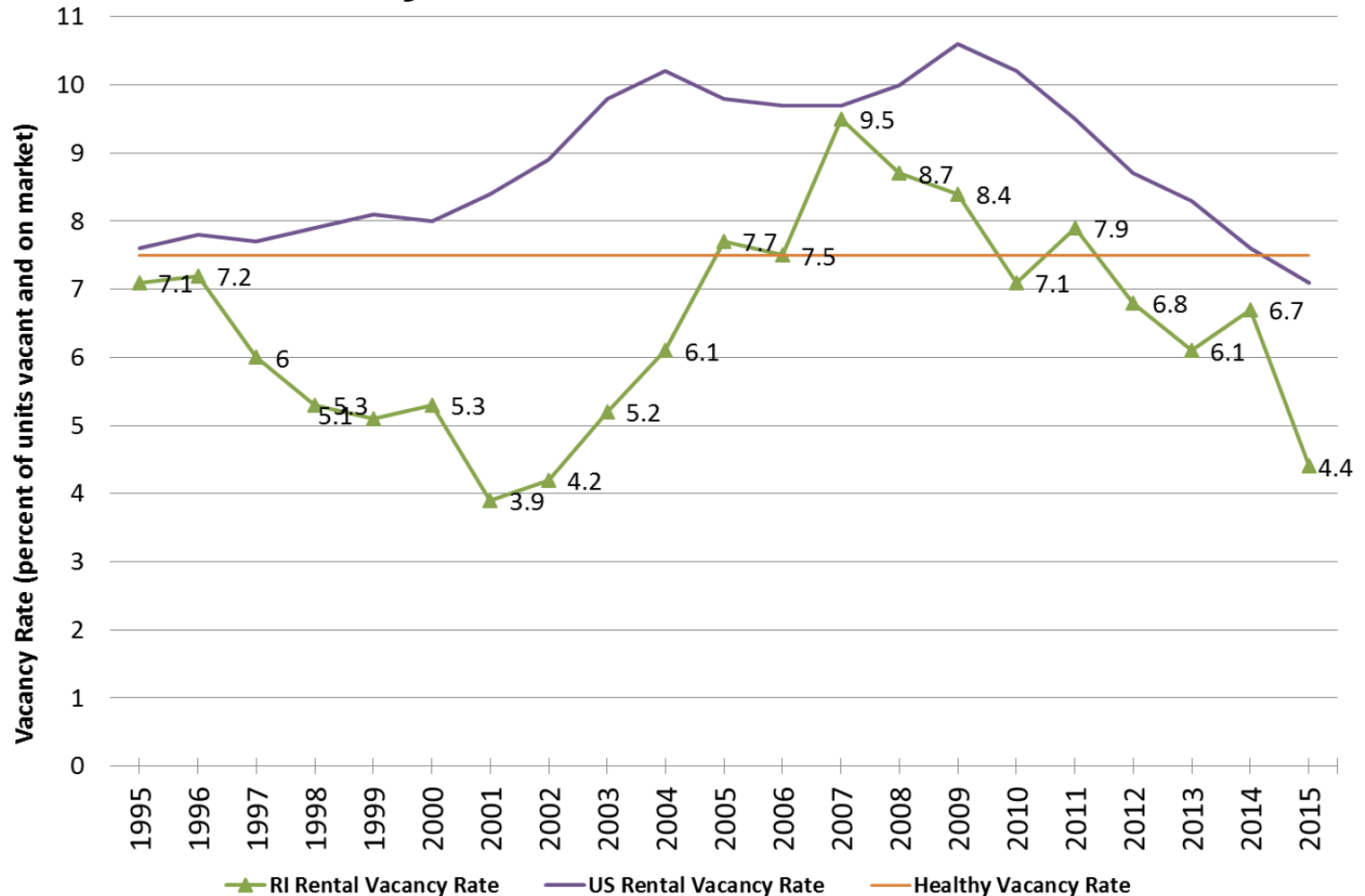
Determine:

- Current Housing Market Conditions
- Population Projections over next ten years
- How demographic trends will inform our Future Housing Needs

**HousingWorksRI**  
at Roger Williams University

# Current Conditions

## Rental Vacancy Rates in RI and US – 1995-2015



# Current Conditions

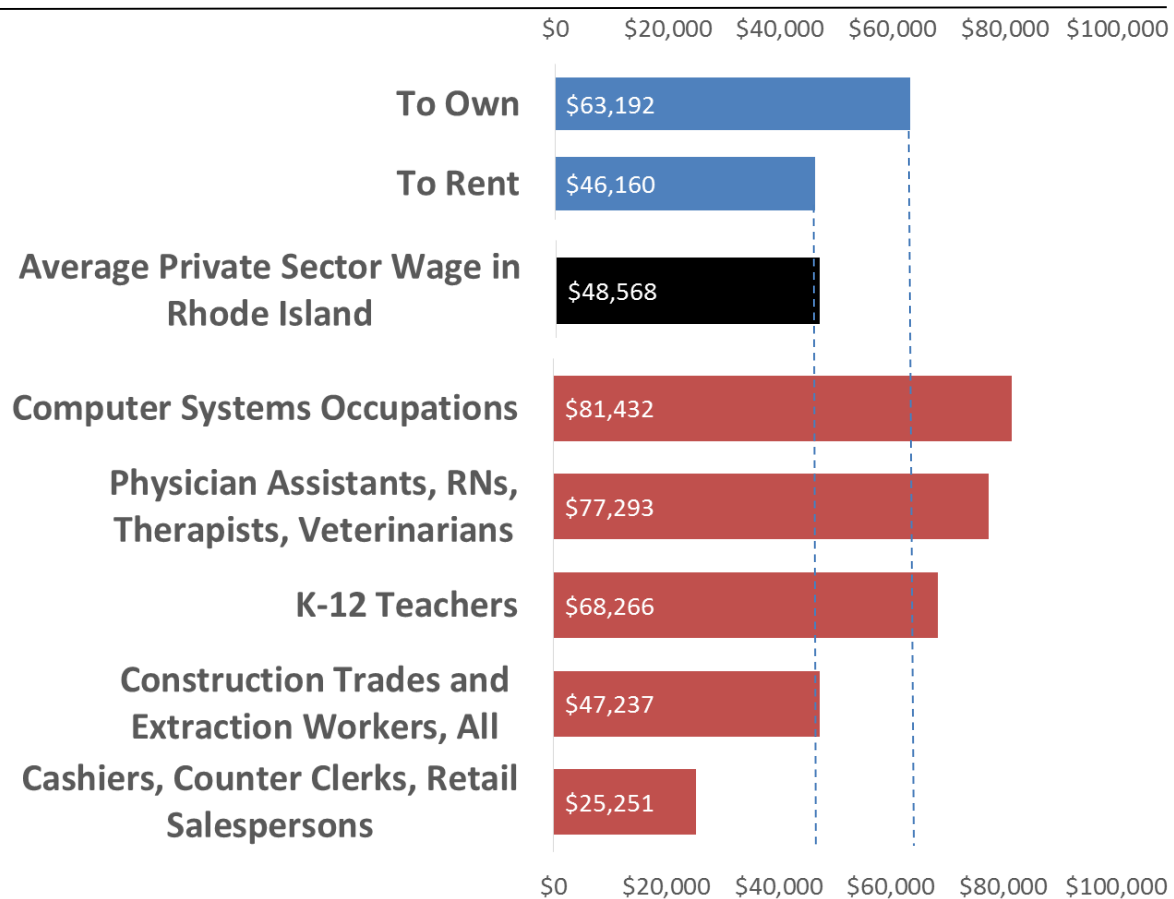
## Cost Burdens Increased at Every Level

	Income Level of Household				Total
	<\$21,650	\$21,651 – \$36,100	\$36,101 – \$57,750	>\$57,751	
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>	6.2%	31.6%	42.8%	140.0%	<b>40.4%</b>

# Current Conditions

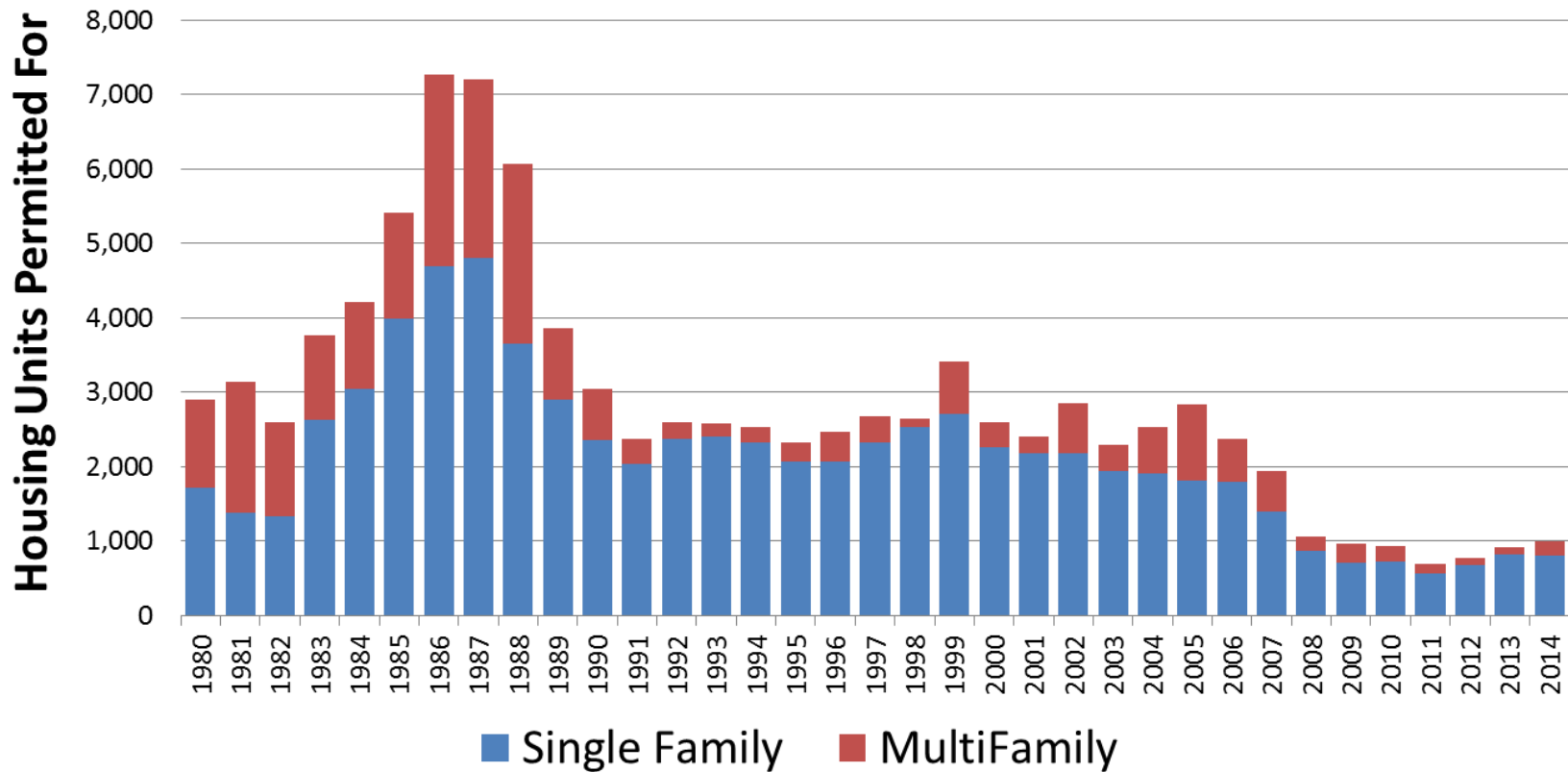
## Housing Costs Outpace Income -- Even for Good-Paying Jobs

### Income Needed



# Current Conditions

## Residential Building Permit Activity in Rhode Island 1980 - 2014



# Projecting Future Housing Needs in RI



## Things to Consider

- Who are Rhode Island's future residents?
- Where will they want to live?
- What type of housing will they want?
- ***What can Rhode Island's households afford?***



# The Future

## A Comprehensive Study

### Two Approaches

- **Status Quo Scenario**
  - Projections assume the continuation of average birth, death, and migration rates
- **Stronger Growth Scenario**
  - Projections assume greater retention and attraction of workers through reduced out-migration and increased in-migration for population age 20-44.

# The Future

## Where Will People Live?

◆ Providence	57%
◆ Southeast Providence County	10%
◆ Central Rhode Island	7%
◆ Northeast Rhode Island	11%
◆ Southeast Rhode Island	4%
◆ Northwest Rhode Island	3%
◆ Southern Rhode Island	9%

### Increase in Future Demand

57%

10%

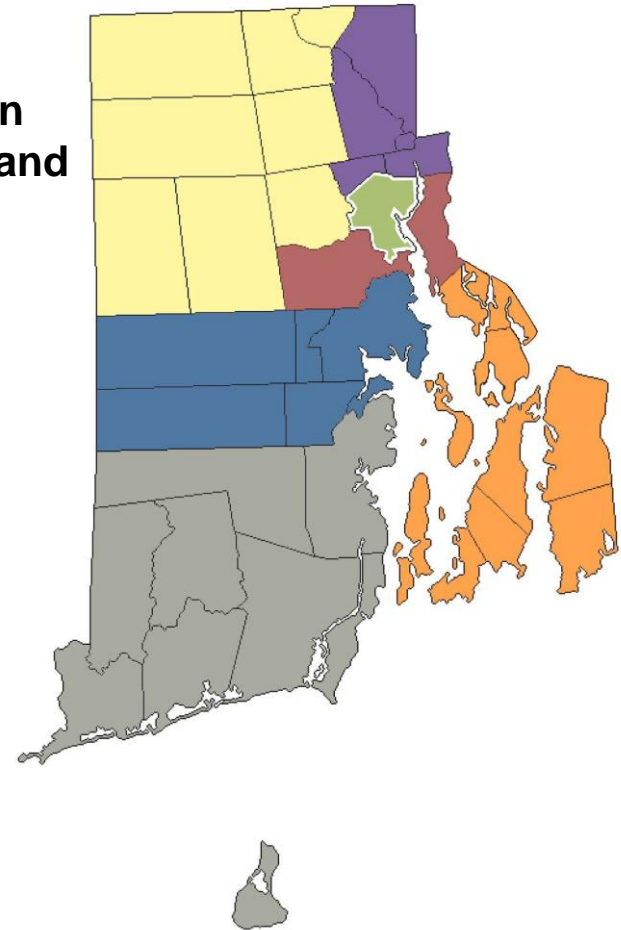
7%

11%

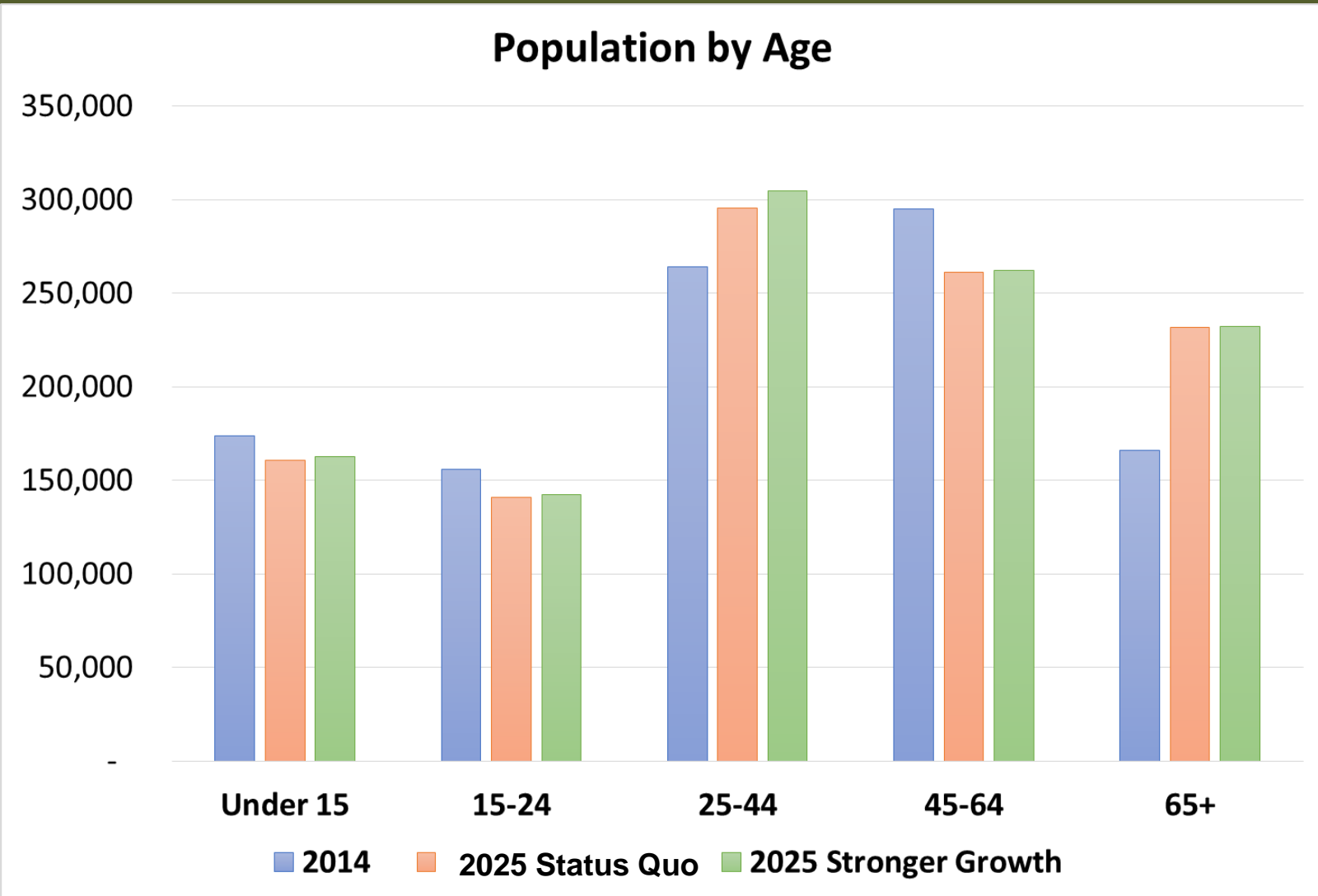
4%

3%

9%

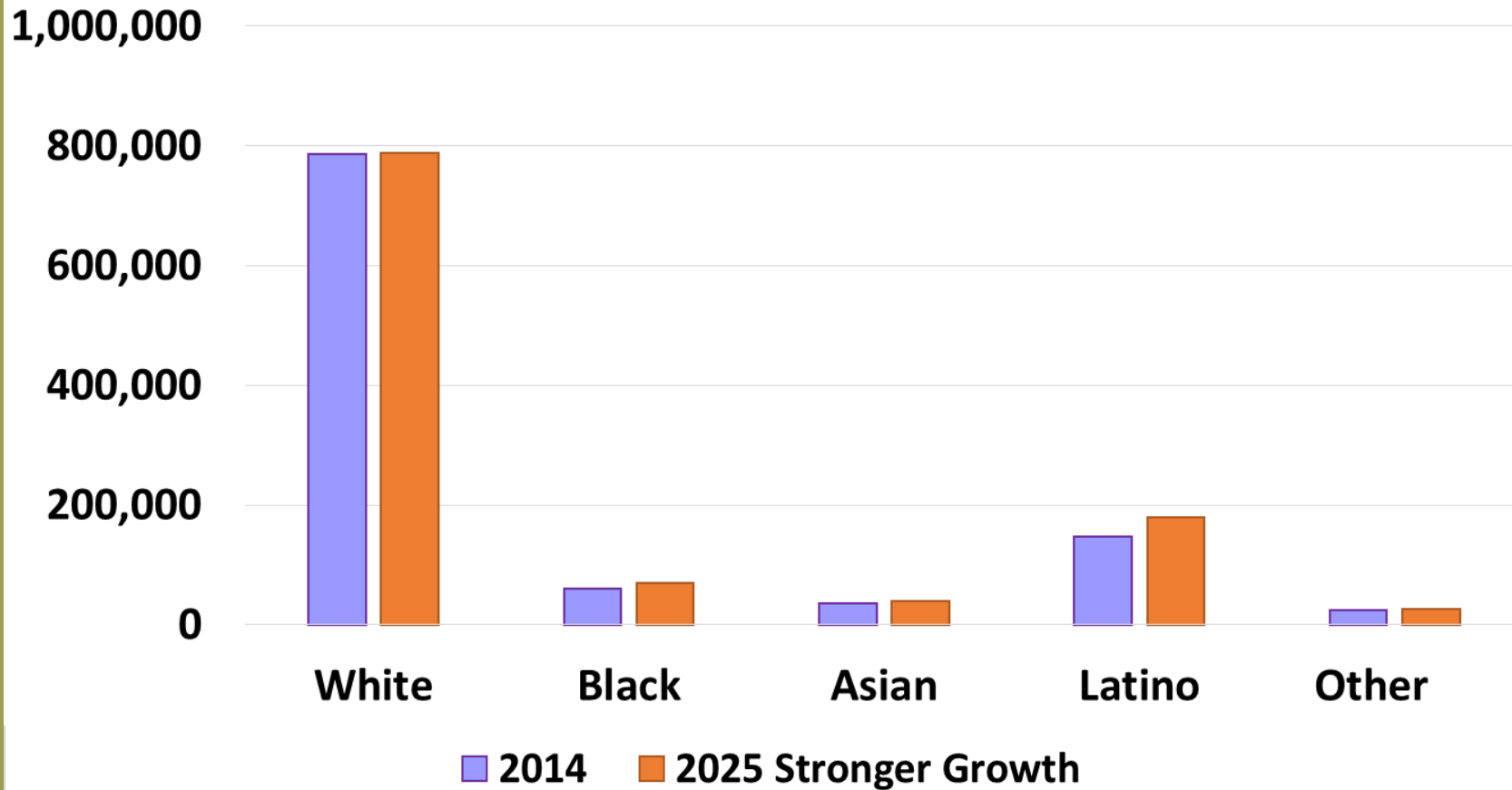


# The Future



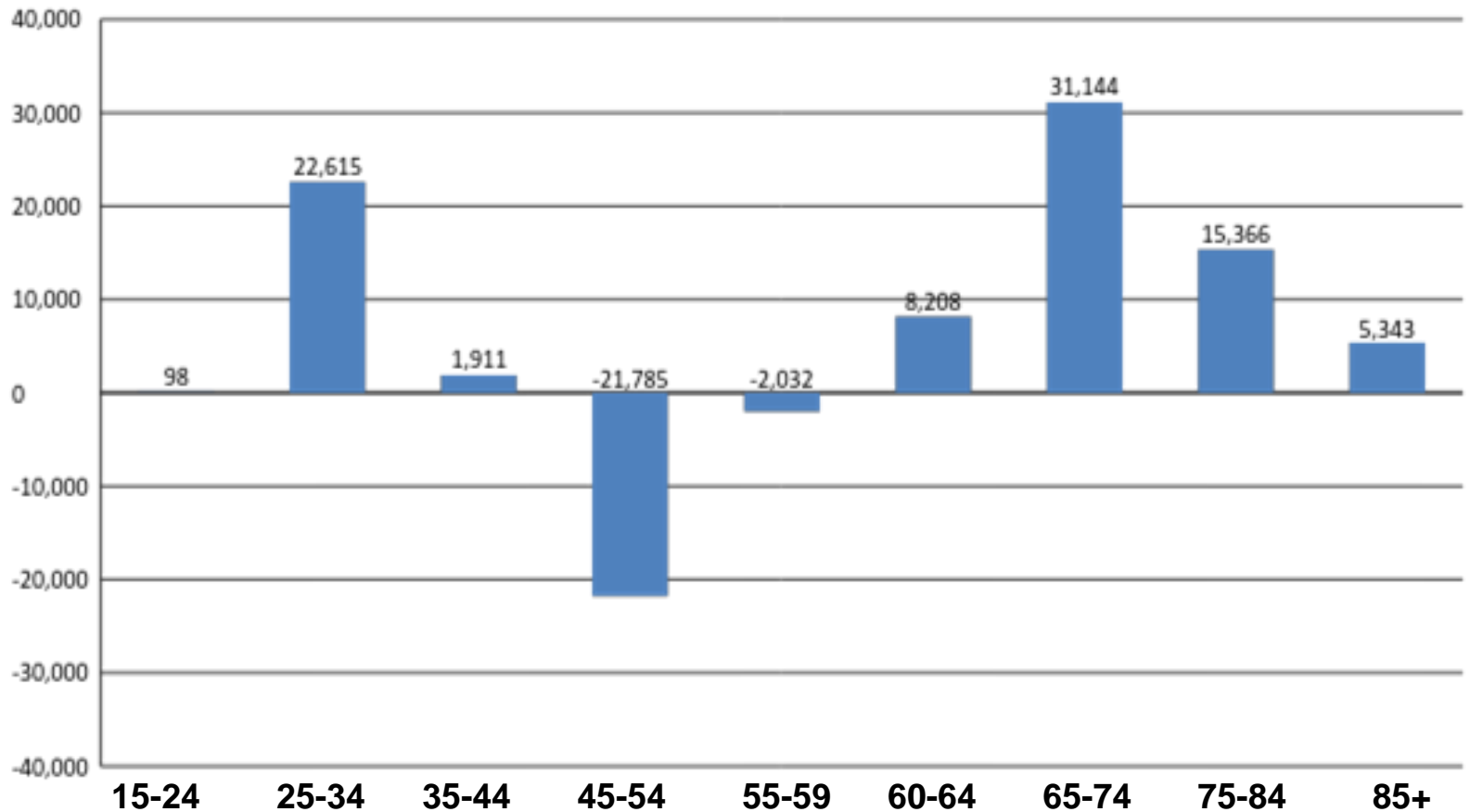
# The Future

## Population by Race/Ethnicity



# The Future

## Household Change 2014 to 2025 by Age Cohort Stronger Growth Scenario



# The Future

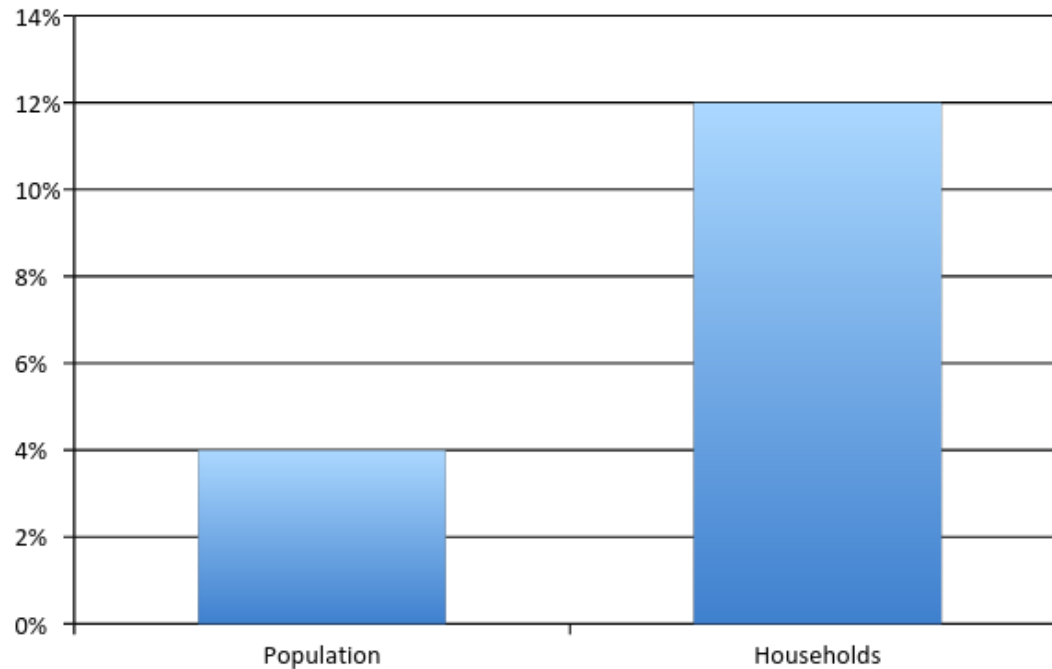


## Future Housing Needs in R.I.

Number of Households in Rhode Island will increase by **12%-13%** over the next ten years

## Future Housing Formation

Over the next ten years, households will grow up to four times faster than the population.



# The Future

The average Rhode Island household size is already smaller than the national average...

National Household Size: **2.54**

Rhode Island Household Size: **2.47**



... and will continue to get smaller

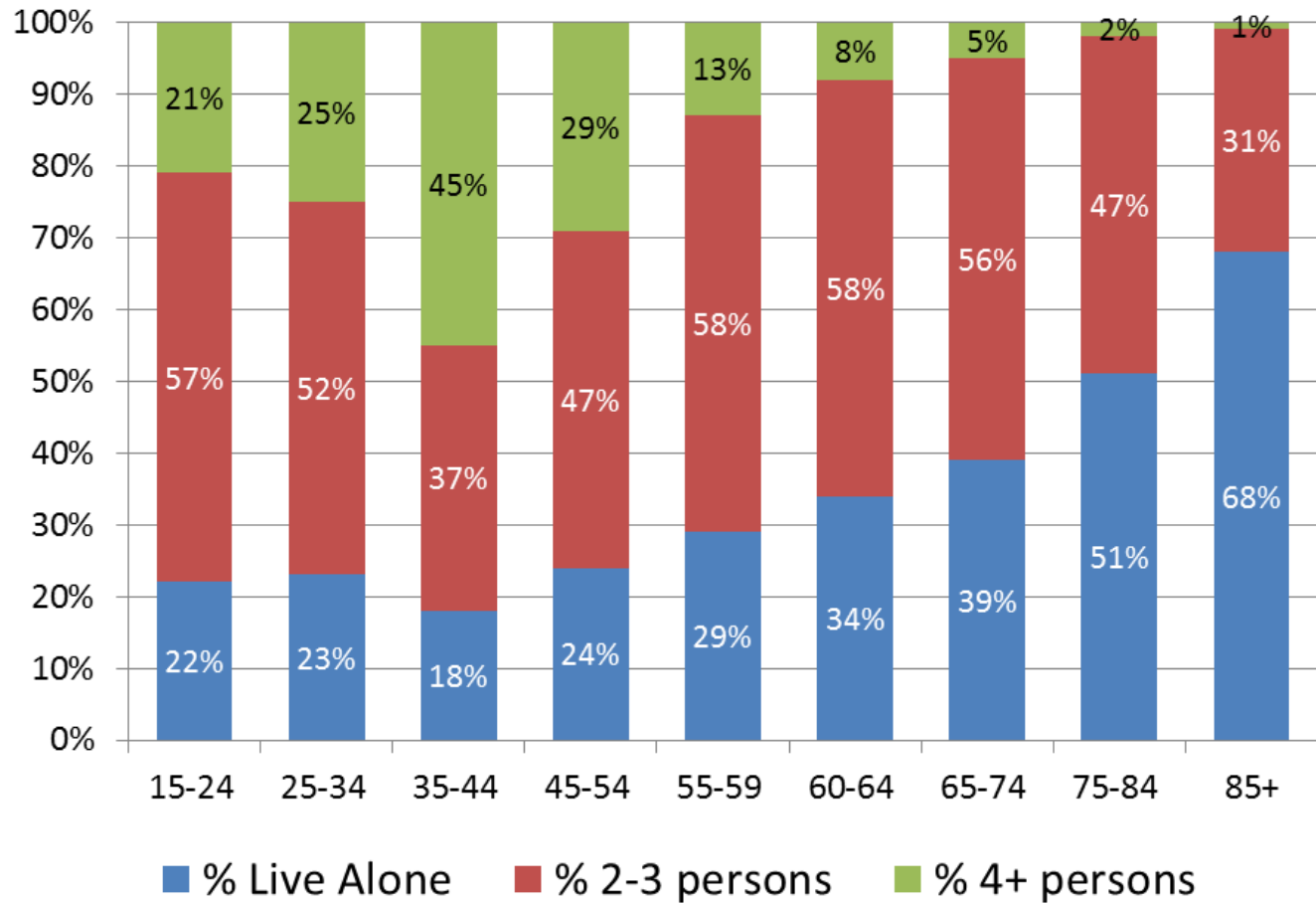
Predicted Rhode Island Household Size, 2025: **2.3**





# The Future

## Age of Rhode Islanders and Households



# The Future

## Drivers of Household Formation

### Millennials

People born between 1981 and 1997  
(age 18-34)

- Waiting longer to marry
- Waiting longer to have children
- Families having fewer children
- Burdened by student debt



# The Future



## Drivers of Household Formation

### Millennials

- Two-thirds of students at Rhode Island's colleges and universities graduate with student debt.
- Average amount of debt: **\$32,721**

# The Future

## Drivers of Household Formation

### Seniors

Age 65 and up

- Downsizing
- Simplifying
- Divorce
- Living Longer
- Aging in Place



# The Future



## Future Housing Needs in R.I.

### Projected New Households

- Vacant units above "Healthy" Vacancy rate
- Units permitted between 2010 and 2014

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= **Housing Units Needed**

# The Future



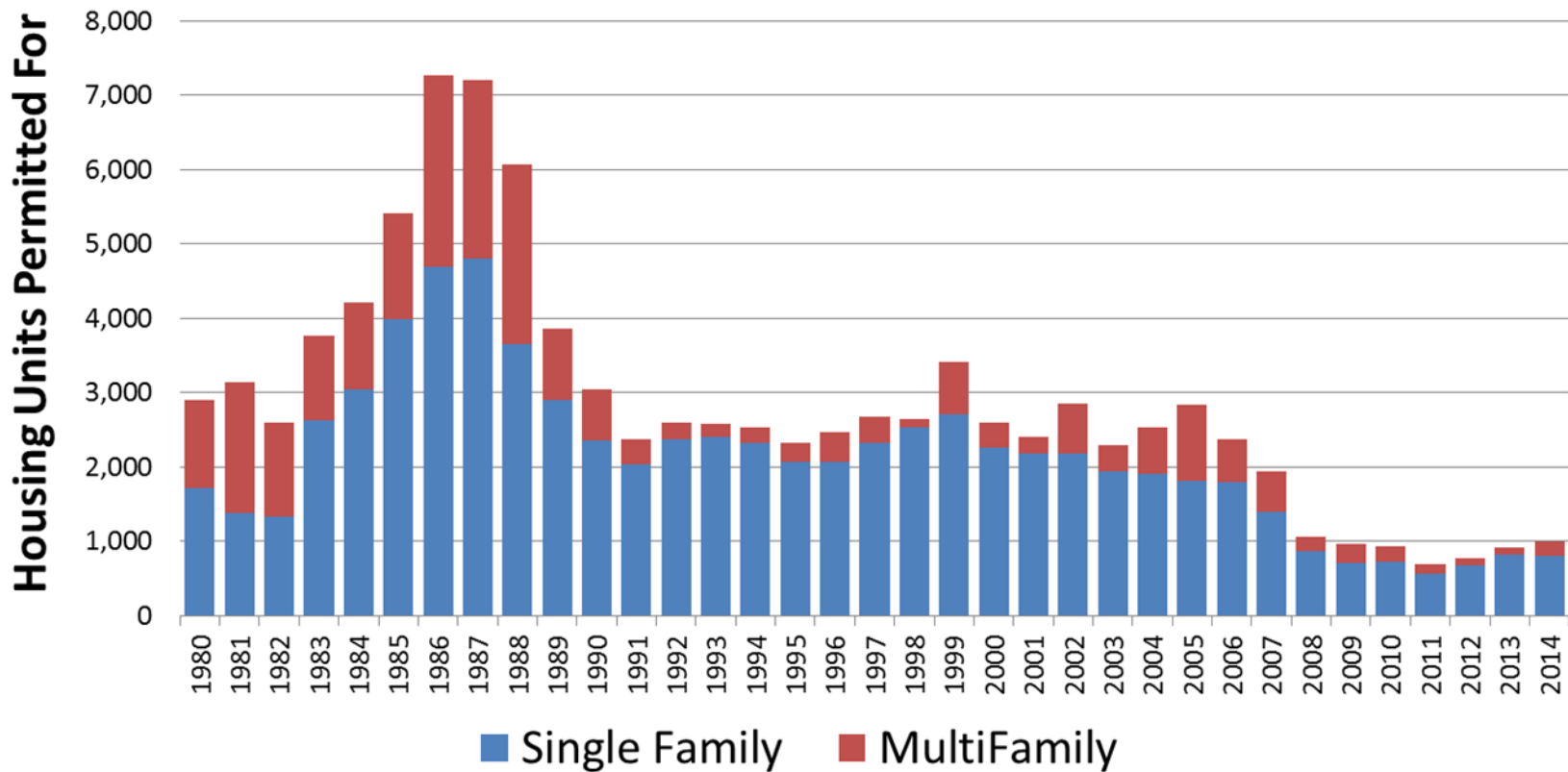
## Future Housing Needs in R.I.

Growing demand for housing will require **34,610 - 40,230** new units over the next ten years

About 3,500 units per year over the next 10 years

# Current Conditions

## Residential Building Permit Activity in Rhode Island 1980 - 2014



# The Future

## Future Housing Needs

**81%** of emerging demand is for multi-household housing

- ***The majority of the emerging demand will be for housing comprised of 2-4 units***





# The Future

## Types of Housing



MissingMiddleHousing.com is powered by Opticos Design.  
Illustration © 2015 Opticos Design, Inc.



# The Future

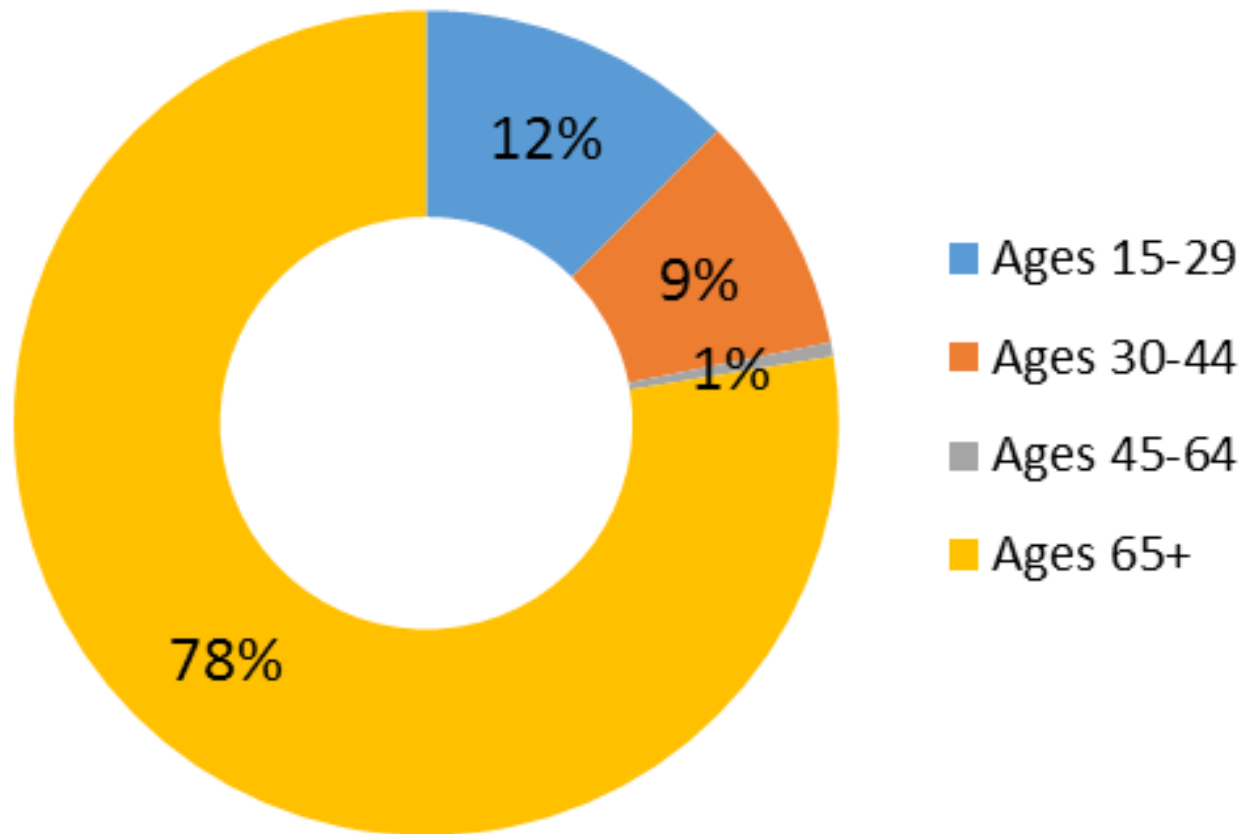


## Drivers of Household Formation

- Up to 75% of new households will have incomes less than 80% AMI
- 94% of new households are projected to earn less than 120% AMI

# The Future

## New Households Earning Less Than 80% AMI by Age Group



## Drivers of the Need for Lower Price Points

### Seniors

- Moving from earning to fixed retirement income

### Millennials

- At the beginning of careers and earning potential

# The Future

## Price Point that Considers Student Debt

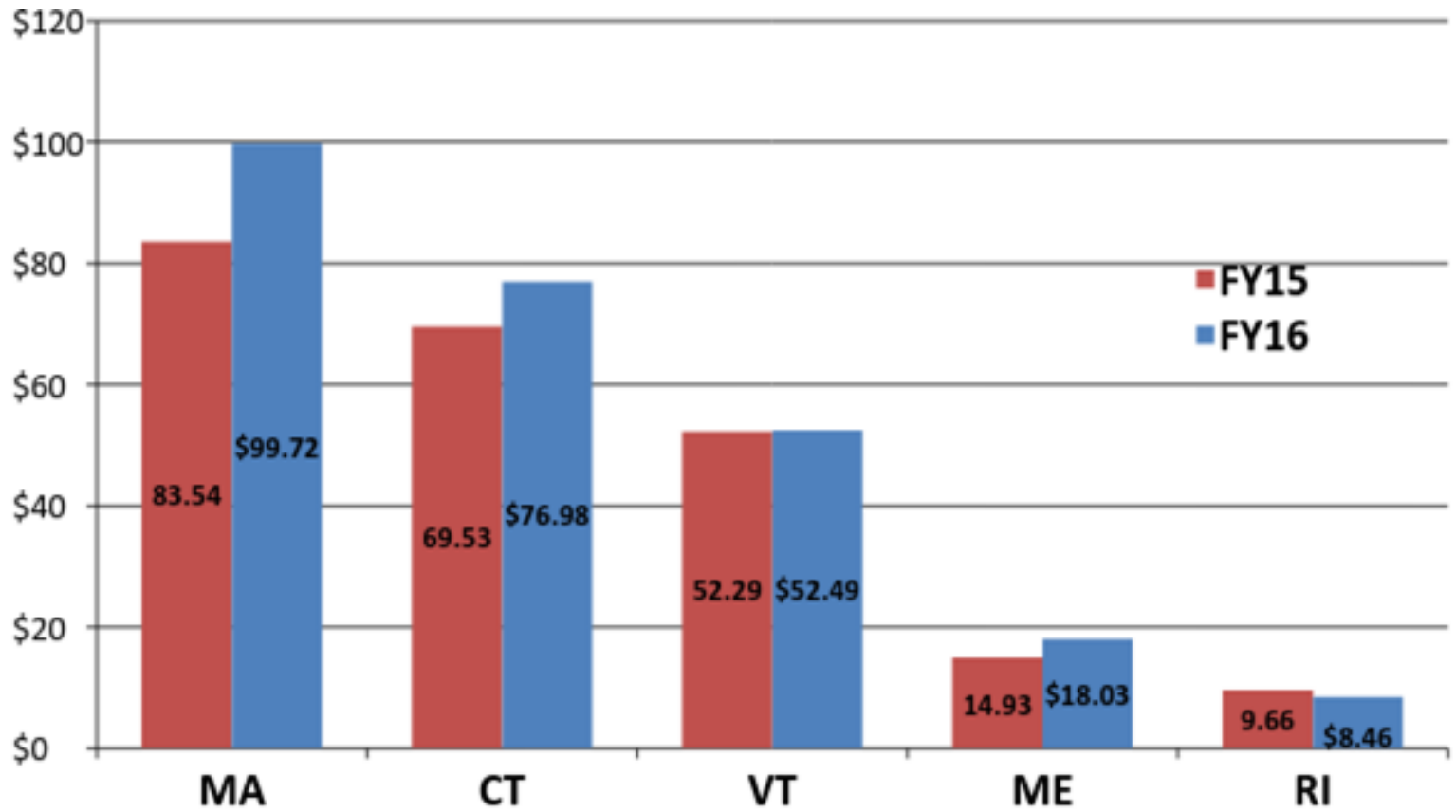
### Millennials

<b>Annual Income (Pre-tax)</b>	<b>\$35,000</b>	<b>\$50,000</b>	<b>\$75,000</b>	<b>\$100,000</b>
Monthly Income (Pre-tax)	\$2,917	\$4,167	\$6,250	\$8,333
Monthly Income Less \$377 College Debt	\$2,540	\$3,790	\$5,873	\$7,956
<b>Monthly Rent: 30% of Remaining Income</b>	<b>\$762</b>	<b>\$1,137</b>	<b>\$1,762</b>	<b>\$2,387</b>

# Moving Forward

# Moving Forward

## Per Capita State Spending on Housing FY15 and FY16



# Moving Forward

- Housing construction will have to increase significantly to meet projected household growth even under Status Quo scenario
- Growing senior population means R.I. must improve accessibility and maintain homes
  - Allows more Rhode Islanders to age in place
- Need for increased housing production to meet demands from households earning lower incomes
  - Millennials and Seniors



# Moving Forward

- Housing Opportunity Bond
  - The \$40 million Housing Opportunity Bond alone will generate over 1,000 jobs
- Housing Preservation and Production Program
- Market rate housing developers can play an important role in helping meet Rhode Island's future housing needs. To assist, the State could:
  - Reduce land use and regulatory barriers to development
  - Provide municipalities with incentives to encourage development of a mix of housing opportunities in urban and village centers



**Thank You**

# Appendix

## Methodology

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 maintain a healthy housing market over the next decade. 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 building additional new units.

Finally, building permits initiated between 2010 and 2014 were removed from the count of projected new housing units needed as these also account for housing some of future households. After accounting for changing household types and needs, a natural vacancy rate versus the observed vacancy rate, and units already under construction, a new housing unit demand count was determined from remaining household counts for both the Status Quo and Stronger Growth Scenario.

# Appendix

## **Slide Notes:**

### **Slides 9 and 20:**

All but the Latino category represent non-Latino persons.

Other category includes non-Latino American Indian, Alaskan Native, Native Hawaiian and Other Pacific Islander.

Also includes persons of more than one race.

### **Slide 37:**

Inclusive of housing and homelessness

# Appendix

## Resources:

### Slide 2:

U.S. Bureau of Labor Statistics  
Mortgage Bankers Association

### Slide 3:

US Census Bureau/US Bureau of Labor Statistics - Current Population Survey

### Slide 4:

U.S. Bureau of Labor Statistics  
Mortgage Bankers Association

### Slide 9:

US Census Bureau American Community Survey

### Slide 10:

US Census Bureau/US Bureau of Labor Statistics - Current Population Survey

### Slide 12:

US Census Bureau Housing Vacancy Survey, Annual Rental Vacancy Rates

### Slide 13:

US Department of Housing and Urban Development Consolidated Housing Affordability Strategy Data (CHAS)

# Appendix

## **Resources:**

### **Slide 14:**

HousingWorks RI at RWU; RI Department of Labor and Training Occupational Employment Statistics

### **Slide 15:**

US Census Bureau Building Permit Survey

### **Slide 18:**

HousingWorks at RI RWU Projecting Future Housing Needs Analysis

### **Slide 19:**

US Census Bureau American Community Survey; HousingWorks RI at RWU Projecting Future Housing Needs Analysis

### **Slide 20:**

US Census Bureau American Community Survey; HousingWorks RI at RWU Projecting Future Housing Needs Analysis

### **Slide 21:**

US Census Bureau American Community Survey; HousingWorks RI at RWU Projecting Future Housing Needs Analysis

### **Slide 22:**

HousingWorks RI at RWU Projecting Future Housing Needs Analysis

# Appendix

## **Resources:**

### **Slide 23:**

HousingWorks RI at RWU Projecting Future Housing Needs Analysis

### **Slide 24:**

US Census Bureau American Community Survey; HousingWorks RI at RWU Projecting Future Housing Needs Analysis

### **Slide 25:**

HousingWorks RI at RWU Projecting Future Housing Needs Analysis

### **Slide 26:**

U.S. Census Bureau, Decennial Censuses, 1890 to 1940, and Current Population Survey.  
"First Births to Older Women Continue to Rise." Centers for Disease Control and Prevention.  
"Childbearing Patterns in the United States." Centers for Disease Control and Prevention  
The Institute for College Access and Success

### **Slide 28:**

MAPC & HousingWorks RI at RWU Projecting Future Housing Needs Analysis

### **Slide 29:**

Methodology used in HousingWorks RI at RWU Projecting Future Housing Needs Analysis in consultation with MAPC

### **Slide 30:**

HousingWorks RI at RWU Projecting Future Housing Needs Analysis

# Appendix

## Resources:

### Slide 31:

US Census Bureau Building Permit Survey; HousingWorks RI at RWU Projecting Future Housing Needs Analysis

### Slide 32:

HousingWorks RI at RWU Projecting Future Housing Needs Analysis

### Slide:

Opticos Design, Inc.

### Slide 34:

HousingWorks RI at RWU Projecting Future Housing Needs Analysis

### Slide 35:

HousingWorks RI at RWU Projecting Future Housing Needs Analysis

### Slide 37:

The Institute for College Access and Success  
Rhode Island Housing Annual Rent Survey

### Slide 39:

Rhode Island Housing Analysis of New England State and State Agency Budgets; US Census Bureau



# Appendix

## Definitions

Vacancy Rate: A housing unit is vacant if no one is living in it. In addition, a vacant unit may be one which is entirely occupied by persons who have a usual residence elsewhere. New units not yet occupied are classified as vacant housing units if construction has reached a point where all exterior windows and doors are installed and final usable floors are in place. Vacant units are excluded if they are exposed to the elements, that is, if the roof, walls, windows, or doors no longer protect the interior from the elements, or if there is positive evidence (such as a sign on the house or block) that the unit is to be demolished or is condemned. Also excluded are quarters being used entirely for nonresidential purposes, such as a store or an office, or quarters used for the storage of business supplies or inventory, machinery, or agricultural products. Vacant sleeping rooms in lodging houses, transient accommodations, barracks, and other quarters not defined as housing units are also not included in the statistics.

Healthy Vacancy Rate: The vacancy rate, as supported by market analysis, that indicates an equilibrium of supply and demand in the local market, meaning the supply of vacant and available units is approximately even with the number of rental units demanded

Cost Burden: Households paying more than 30% of their income for housing

Severely Cost Burdened: Households paying more than 50% of their income for housing