DRAFT

Anti-Displacement and Comprehensive Housing Strategy

City of Providence, Rhode Island

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CITY OF PROVIDENCE

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A note on language and terminology: Many terms included in this document are used in the housing industry or by groups associated with affordable housing work. Such terms are ***bolded and italicized*** and defined in a footnote at the bottom of the page where the term first appears as well as in a glossary in Appendix A at the end of this report.

EXECUTIVE SUMMARY

The City of Providence is committed to preserving existing housing ***affordability***[1], promoting development of new ***affordable housing***[2], and increasing housing choice to provide safe, ***affordable housing*** citywide. The Anti-Displacement and Comprehensive Housing Strategy (the Strategy) builds upon past and present efforts to define a concise, unified vision and preferred outcomes for the City's ***affordable housing*** efforts. Over nine months, the City's consultants— led by RKG Associates— completed a thorough socioeconomic, real estate, and financial feasibility analysis of the City of Providence to understand current and projected housing needs. In addition to the data analysis, RKG also interviewed City staff, real estate professionals, housing advocates, housing and service providers, housing developers (public, non-profit, and private), and special interest groups to ensure all perspectives were considered when crafting the implementation strategy. Below are the key findings and recommendations of this plan. More information on each of these findings and recommendations is available throughout the report.

[1] ***Affordability*** is calculated based on an individual household's reasonable ability to pay for housing. The U.S. Department of Housing and Urban Development (HUD) defines affordability for rental housing as no more than 30% of the household's gross income.

[2] ***Affordable housing*** is the overarching term used within this report to describe all housing priced at a level that will not cause a given household to become housing ***cost-burdened***.

The need for more ***affordable housing*** in Providence is clear. According to U.S. Census data, more than 29% of the City's households earn less than 30% of ***Area Median Income (AMI)***[3], which is considered ***extremely low income***[4]. Within this group, almost 19% have one or more children six years old or younger and 24% have at least one person aged 62 years old or older. Approximately 60% of the City's households have incomes ranging from zero to 80% of ***AMI***, meeting the federal definition of "low- and moderate-income" to qualify for many ***U.S. Department of Housing and Urban Development (HUD)***[5] -funded housing and social service programs.

Furthermore, in Providence, almost 64% of households are considered to be ***cost-burdened***[6]. Of those, almost 24% are severely ***cost-burdened*** (paying more than 50% of their gross income on housing costs) as defined by ***HUD***. It is important to note that while housing and other costs continue to rise, the median income of City residents has remained stagnant, only increasing by 1.3% annually between 2010 and 2017. As such, cost-burden is worsening, placing many more households in precarious and potentially unsustainable housing situations.

Demand for special needs housing is increasing locally and state-wide. While the total number of residents with disabilities has decreased in recent years, residents who are living with multiple disabilities increased.

- Consistent with regional and national trends, the City's population is skewing older, particularly for people over 65 years old, many of whom are choosing to stay in Providence and ***age-in-place***[7]. Historically, relocation of retirees opened up housing opportunities for the next generation of households. Having this large age cohort staying put could strain the supply and demand equilibrium as new forming households

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[3] ***Area Median Income (AMI)*** is established by the ***U.S. Department of Housing and Urban Development (HUD)*** as the midpoint of households' annual income in specific regions of the country. Household income levels are also used to determine housing affordability for different income groups. In the Providence-Fall River region, the ***AMI*** for a four-person household is $81,900 per year. This means that a four-person household earning 30% of ***AMI*** in Providence makes $25,750 per year; earning 50% of ***AMI*** makes $40,950 per year; and earning 80% of ***AMI*** makes $65,500 per year.

[4] ***Extremely low income*** is a ***HUD***-defined term that includes all households that earn less than 30% of ***AMI***.

[5] The ***United States Department of Housing and Urban Development (HUD)*** is a Cabinet-level department of the United States government that is responsible for national policy and programs related to housing needs and fair housing enforcement.

[6] ***Cost-burdened*** (housing ***cost-burdened***) is defined by ***HUD*** as paying more than 30% of gross income for housing and essential utilities

[7] ***Age-in-place*** is a term that references an ability for older persons to either stay in their current home or choose from a range of affordable, age- and ***price-appropriate*** housing options within their existing neighborhood. To learn more about aging-in-place, visit ***HUD***'s website at https://www.huduser.gov/portal/periodicals/em/fall13/highlight1.html#title.

have less choice for housing. **The combined growth in older residents as well as those reporting multiple disabilities will place added pressure on the housing market to provide units that are age-friendly and accessible.**

- **The number of persons living with HIV doubled between 2010 and 2018.** From a housing perspective, not all persons living with HIV have unmet housing needs; however, there is a contingent of persons with HIV or AIDS who are unable to secure housing due to their illness or other circumstances (such as HIV combined with homelessness or criminal records). According to AIDS Care Ocean State, the State's largest AIDS service agency, there are more than 200 individuals on their housing needs waiting list.

- Due to the nature of the City's housing stock, which includes many multi-family and multi-level units, providing housing options for the 13,613 Providence residents that experience difficulty walking or climbing stairs and 21,201 residents with self-care and independent living difficulties is also a concern.

- **Representatives from homeless support organizations (including Better Lives Rhode Island, Crossroads Rhode Island, and Amos House) have reported that counts of the City's homeless population substantially undercount the true need for permanent housing.** These organizations indicated that they were contacted by more than 1,600 Providence households in unstable housing situations in 2019 alone. While these households technically are not homeless, they are at-risk of losing their permanent housing. The number of actual homeless and at-risk homeless households is escalating substantially due to the impacts of the COVID-19 pandemic on Providence and the nation.

To meet the collective need for housing within the next ten years, the City would have to target the development and rehabilitation of more than 850 *price-appropriate*[8] rental and ownership units for households earning under 100% of *AMI* each year. To put this into context, 512 new ***income-controlled***[9] units were constructed in the past decade according to the City's property assessment data. Between now and 2030, rental housing is most needed for households earning less than ***HUD's*** 30% of ***AMI*** threshold, with a cumulative shortage of almost 7,300 ***price-appropriate*** housing units by 2030. Between now and 2030, ownership housing is most needed for households earning less than 100% of ***AMI***, with a projected net shortage of more than 500 ownership units for households earning between 50% and 100% of ***AMI***.

[8] ***Price-appropriate*** housing is defined as housing that costs no more than 30% of a household's annual gross income.

[9] ***Income-controlled*** housing refers to housing units that can only be sold or rented to households that earn below a stated income level (typically called an income cap). These income caps determine eligibility, helping low-income families access ***price-appropriate*** housing.

While regulatory changes will help achieve these goals, Providence's ***affordable housing*** needs far exceed the current amount of funding available to create and preserve affordable units to meet demand. **More than $225 million (seventy-five times more than the $3 million expected to be available) per year may be required to meet *affordable housing* demand in Providence over the next ten years to address existing unmet demand for *price-appropriate* housing for households earning under 50% of AMI.**

The Funding section of this document details specific recommendations on how to better leverage the City's resources. Accordingly, this plan outlines ways in which the City can increase available resources to improve and grow quality ***affordable housing*** stock in Providence for those households with the least housing choice. With traditional tools, the City may be able to raise some additional capital, but not on the order of magnitude required to satisfy unmet and projected demand in the next decade; however, by employing innovative partnership and financing strategies, the City can multiply the resources available and serve a broader constituency, including its most vulnerable community members. This plan recommends four innovative financing strategies: leveraging City funds; supplying ***low-cost capital*** [10]; working with partners to identify one or more target investment areas; and aggregating partner capital.

While the City has an abundant <u>rental</u> housing market overall, the balance between supply and demand is not consistent by income group or location within the City. The data analysis reveals that housing choice is limited for the lowest-income households, particularly in neighborhoods with *low-cost transportation*[11] choices, high-performing schools, proximity to jobs, and quality of support services.

- **Renter households in Providence are disproportionately impacted by lower incomes compared to owner households.** Almost 40% of renter households earn less than 30% of ***AMI*** for a two-person family ($19,650) and more than 55% earn less than 50% of ***AMI*** ($32,800). These incomes equate to the ***ability to pay***[12] $491 and $820 per month, respectively, without becoming ***cost-burdened***. In 2017, only 37% of all rental units were priced to households earning $32,800 a year or less, leaving a large gap in the number of units needed to adequately supply ***affordable housing*** to those households.

[10] ***Low-cost capital*** refers to loans with lower costs associated with borrowing money, such lower interest rates.

[11] ***Low-cost transportation*** services may include frequent, convenient bus or rail service, walkable environments, or safe, comfortable bicycle infrastructure. ***Low-cost transportation*** reduces a household's overall expenses, which is important because after housing costs, transportation is the largest expense for most households. The City's recently completed Great Streets Plan (www.providenceri.gov/planning/great-streets) and RIPTA's recently completed Transit Master Plan (www.transitforwardri.com) outline existing and planned transportation investments citywide.

[12] ***Ability to pay*** is the maximum amount a household can spend on housing without being ***cost-burdened***.

- **Households earning less than 50% of *AMI* remain substantially underserved.** The market analysis revealed that most of Providence's market rate rental housing (53.4%) is priced appropriately for households earning between 50% and 100% of ***AMI***. However, the majority (56%) of renter households in Providence earn below 50% of ***AMI***. As of 2019, approximately 12,800 housing units were designated as ***income-controlled*** in Providence, restricting occupancy to households at or below specific ***AMI*** thresholds. In contrast, more than 22,700 renter households living in the City earned at or below 50% of ***AMI***.

- **More specifically, extremely low-income households are underserved.** This is not surprising, as almost 40% of the City's renter households earn less than 30% of ***AMI***, while less than 20% of units are priced to this income level (which includes all subsidized housing units). The ***affordability*** analysis conducted identified over 5,100 more renter households in Providence earning less than 30% of ***AMI*** than there are rental housing units priced appropriately for them. Renters at or below 30% of ***AMI*** increased over 9% between 2010 and 2017, speaking to the continued need and demand for deeply ***affordable housing*** options or subsidies. The City should increase rental unit choice for households earning at or below 50% of ***AMI*** outside the Broad Street/Elmwood Avenue, Olneyville/Hartford, and Smith Hill/Wanskuck areas of the City, where current and proposed income-controlled housing units are disproportionately concentrated. To ensure that all Providence neighborhoods are accessible to low-income households, the City should prioritize its investments to create and preserve affordable rental units in areas of the City with the least amount of housing choice for these households.

- **The City should continue to maximize land assets in Downtown and along the Woonasquatucket Corridor since these areas have the greatest potential for new construction of affordable rental units.**

- **The rental supply and demand gap analysis indicates that the greatest unmet need is for larger (3+ people) extremely low-income households. New construction of subsidized rental units should focus on larger (two bedroom or larger) units.** While household trend data indicate smaller households are the fastest growing in Providence, the City's larger lowest income households have the least housing options. There are more than 5,700 renter households needing a 2+bedroom unit than there are ***price-appropriate*** 2+bedroom housing units.

- **While the primary goal of this plan is to increase *affordable housing* opportunities, it is important to acknowledge the impact of having insufficient *price-appropriate* housing across all income-levels.** In Providence, the data analysis identified more households earning above 100% of ***AMI*** than units priced to this income level (specifically, ***market-***

rate[13] studios and one-bedroom rental units). This market imbalance applies pricing pressures on ***low- to moderate-income (LMI) households***[14], enabling rent levels to rise faster than annual income growth for modest income households. Further, these higher income households also occupy units that could otherwise accommodate lower income households, thus creating a shortage and additional pressures on more vulnerable populations. In Providence, there are almost 3,000 more households earning over 100% of ***AMI*** than there are ***price-appropriate*** units for that income level. **The tightening marketplace, particularly for those households earning between 50% of *AMI* and 80% of *AMI*, will continue to limit choice and opportunity.**

The City should prioritize affordable <u>homeownership</u> development resources for the creation of homeownership units for households earning 50% to 100% of *AMI* in the East Side, Downtown, and along the Woonasquatucket Corridor. Similar to rental housing ***affordability***, there is very little choice for modest earning households in these neighborhoods. **Additionally, the City should consider creating specific incentive programs to promote new homeownership development in neighborhoods with low homeownership rates** (including the West End, Federal Hill, Fox Point, Olneyville, and Hartford). This plan provides several regulatory recommendations to increase unit delivery in community-sensitive ways.

Aside from the need for more funding, the next greatest issue Providence faces regarding housing needs is not how to use its resources, but how to use existing resources more objectively and how to secure additional resources. As noted earlier, housing needs in Providence dwarf existing resources. In short, the City should focus on results-based investments. City dollars should be applied to entities and projects that provide the greatest benefit, which must be defined and prioritized by the City's leadership.

The City should prioritize investments that assist homeowners and landlords to keep historic structures safe and healthy for their occupants. In addition to creating more new affordable units, investing dollars into existing structures helps preserve the unique, historic character and urban fabric of Providence's neighborhoods. Providence's aging housing stock creates greater need for housing rehabilitation and modernization. Providence's housing stock is some of the oldest in the country, with almost 70% of the City's supply built before 1959. Approximately 65% of Providence's rental units were built prior to 1959 (approximately 37,000 units). While a unit's age does not necessarily indicate a maintenance need, previous studies (such as the City of Providence's Healthy Housing Strategy) have documented challenges—including lead paint mitigation, electrical issues, and ventilation issues— for many of these

[13] ***Market-rate housing*** refers to housing that has no restrictions related to the income of its residents (whether they be homeowners or renters).

[14] ***Low- to moderate-income (LMI) households*** are households earning below 50% (low) and between 50% and 80% (moderate) of ***HUD***'s calculation of the ***area median income*** for a geographic area. In Providence, the FY2019 annual median family income, as established by ***HUD*** is $81,900. Thresholds for LMI households are $40,950 for a family of four at 50% of ***AMI*** and $65,500 for a family of four at 80% of ***AMI***.

units. The City's older housing stock creates similar issues for rental structures as it does for homeownership units, including the need for rehabilitation, safety mitigation, and modernization. This analysis revealed a correlation between price ***affordability*** and housing condition, meaning that the most ***affordable housing*** units have a higher incidence of health, safety, or energy efficiency issues. From a homeownership perspective, Providence's large, growing, senior homeowner population faces fixed incomes along with continuing housing repair and accessibility needs. The need to ensure units occupied by seniors do not fall into disrepair is as much a current safety issue as it is a long-term sustainability issue for the housing stock. This growing senior population may also want to ***age-in-place***, requiring accessibility enhancements to older structures. Given how much of the City's housing was built prior to 1959, it is highly likely it was not built to conform with current accessibility standards (first released in 1961 and federally recognized in 1974) and will need substantial investment to retrofit.

Providence's abundance of two- and three-family structures provides both opportunities and challenges for homeownership. Not unlike other New England urban centers (such as Boston and Portland, Maine) two- and three-family structures are common. In Providence, there are almost as many two- and three-family structures (14,400) as there are single-family structures (14,700). While this diversity itself is not problematic, it creates some challenges when households are seeking homeownership opportunities as there is a reported market preference from potential homeowners for single-family homes, townhomes, and condominiums. Households earning below 80% of AMI have a financial challenge in addition to housing type preference, since the cost of maintaining rental units (particularly in older structures that require greater investment) can be cost-prohibitive. Providence's modest market demand and abundance of two- and three-family structures can also encourage investors while creating challenges for ownership opportunities. On the other hand, two- and three-family structures can provide unique opportunities for low-income households to supplement their incomes or multi-generational households to live together, making homeownership more attainable for many.

Preservation of existing *income-controlled* units and *naturally occurring affordable housing*[15]— to mitigate issues such as lack of complete plumbing facilities, lack of complete kitchen facilities, and lead paint— should remain a high priority for the City. The U.S Department of Housing and Urban Development (***HUD***) estimates 307 existing housing units in the City lack complete plumbing facilities and another 521 lack complete kitchen facilities.

[15] ***Naturally occurring affordable housing*** is rental or ownership housing that is affordable to targeted income groups (such as 80% of ***AMI***) without a subsidy. A majority of America's affordable housing operates without subsidy and is referred to as Naturally Occurring Affordable Housing (NOAH). These Class B and Class C multifamily rental properties (generally built between 1940 to 1990) provide housing at rates affordable to ***low- and moderate-income households***. For more information, see http://bbhousingonline.com/naturally-occurring-affordable-housing/.

While higher-end rental development in areas like Downtown and the East Side are feasible by high demand for these areas, other areas of Providence may be challenged to realize the projected growth due to existing—and likely worsening—market conditions. The combination of high costs for land and construction and the City's higher taxing rates (particularly for rental housing development) make ***market-rate*** construction challenging in the secondary and tertiary markets within the City due to the relatively lower potential revenue opportunities.

Ultimately, the City faces two distinct new construction housing challenges. First, incorporating additional *income-controlled* units in new projects within areas that have very little opportunities for lower-earning households creates a financial hardship on new development without some form of cost relief (such as financial incentives or height bonuses). Second, attracting market rate development in less competitive areas is challenging due to the financial disparity between cost of development and potential return. In these cases, greater subsidy (either financial or regulatory) and neighborhood revitalization will be required to make these strategies sustainable in the long-term. That said, efforts to improve the availability and quality of amenities in less-competitive areas risks displacement as these areas become more attractive to renter households with higher incomes and need to balance investment with providing existing residents the potential to remain in their community. To avoid displacement, it is important that anti-displacement strategies (as outlined in this document) are simultaneously implemented.

To better meet the needs outlined above, the plan recommends that the City consider changes to three of its existing programs: Home Repair program, Down Payment and Closing Cost Assistance program, and HOME funds. These proposed changes do not materially change the intent of these programs, but rather offer opportunities to prioritize use of these funds and revolve or better leverage these resources.

This plan also outlines numerous changes to the City's *Zoning Ordinance*[16] and development and entitlement processes as well as several new policy and program recommendations under four categories: housing production, housing rehabilitation, code compliance, and landlord-tenant strategies.

This plan sets out a program of short- and long-term actions that will require the coordination of City departments, community stakeholders, and available resources to ensure the people of Providence, regardless of race, income, gender, sexual orientation, or other sociodemographic status, have access to safe, healthy, and ***affordable housing***, encouraging vibrancy, security, and opportunity in each of the City's unique neighborhoods. While this plan focuses specifically on housing, quality of life depends on a combination of housing, transportation networks, job access, education opportunities, clean air and water, recreation facilities, and access to

[16] The City of Providence's ***Zoning Ordinance***, Map, and User's Manual can be found online at www.providenceri.gov/planning/zoning. All municipalities, including Providence, have a ***Zoning Ordinance*** that provides land use and development regulations, organized by ***zoning districts***. The Zoning Map identifies the location of zoning districts.

services. Safe, healthy, ***affordable housing*** can lay the foundation for households to access these other essential needs. Accordingly, this plan cross references plans and studies related to other quality of life needs such as the *Climate Justice Plan*, *Great Streets Master Plan*, and *Rhode Island Transit Master Plan*. It is critical for the City and its partners to continue to coordinate these efforts to ensure comprehensive quality of life improvements and reduce displacement.

It is important to note that although this report focuses on current and future housing needs, past planning practices, such as ***redlining***[17], caused irreparable damage to communities of color, especially Black communities, by concentrating and segregating housing for Black residents in neighborhoods next to polluting industries and pushing wealth building opportunities through homeownership out of reach for many people of color. The impacts of past unjust practices continue to impact our Black, Indigenous, and People of Color (BIPOC) residents today.

Simultaneously, while housing ***affordability*** concerns have long-predated the current COVID-19 pandemic in Providence, the impacts already felt— and continuing to be felt— will further exacerbate challenges faced by the City's low-income households in obtaining safe, ***affordable housing***. As of the writing of this report, more than 80,000 Rhode Island households are currently at risk of missing a rental housing payment due to the COVID-19 pandemic[18].

Data used to generate the findings and recommendations of this report is detailed in the accompanying Technical Document (Appendix B), and includes primary market data sources such as the U.S. Census, American Community Survey, City of Providence, and State of Rhode Island, as well as secondary data sources including Zillow.com, Apartments.com, the ***Metropolitan Area Planning Commission (MAPC)***[19], ESRI, and proprietary information provided by local real estate professionals.

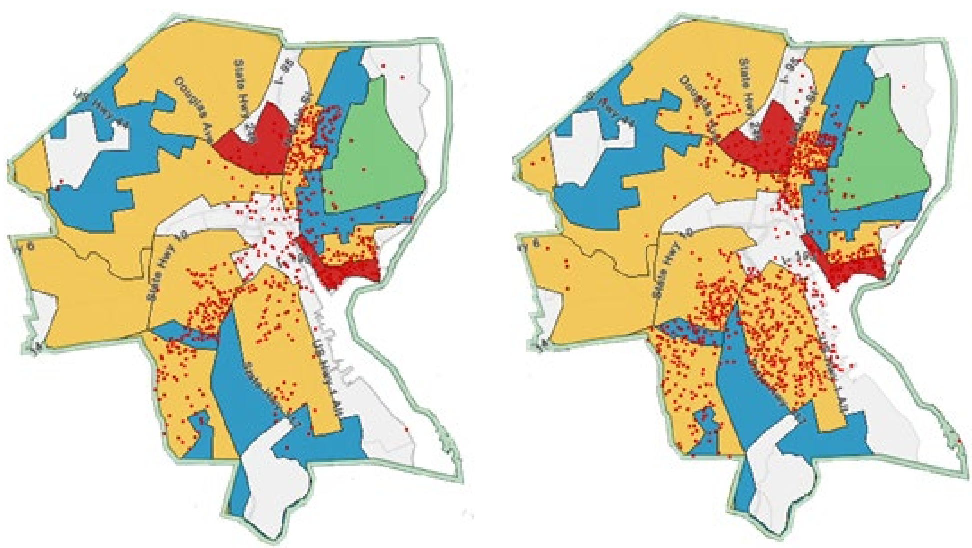
[17] ***Redlining*** refers to the process by which, in 1935, the Home Owners' Loan Corporation (HOLC) designated neighborhoods in cities across the country as low- or high-risk for mortgage lending based on "Residential Security" maps, or what we refer to today as ***redlining*** maps. Neighborhoods throughout the country were classified as Best (green), Desirable (blue), Declining (yellow), or Hazardous (red). Criteria in determining a neighborhood's risk level included, among others, age and condition of housing, transportation, proximity of parks or industrial areas, and the socio-demographic makeup of existing residents.

[18] https://www.providencejournal.com/story/news/coronavirus/2020/07/06/hundreds-in-ri-face-eviction-with-moratorium-expired/113971814/

[19] The ***Metropolitan Area Planning Commission (MAPC)*** is a regional planning agency that provides planning and analysis services throughout Massachusetts and the greater Boston Metropolitan area.

ACCESS, EQUITY, AND JUSTICE: FRAMING THE NEED

Many historical planning practices caused irreparable damage to communities of color, especially to Black communities. Historic zoning practices put housing developments for Black residents in neighborhoods next to polluting industries while ***redlining*** kept homeownership out of reach of Black people and contributed to neighborhood segregation and loss of wealth building opportunities through homeownership for people of color.

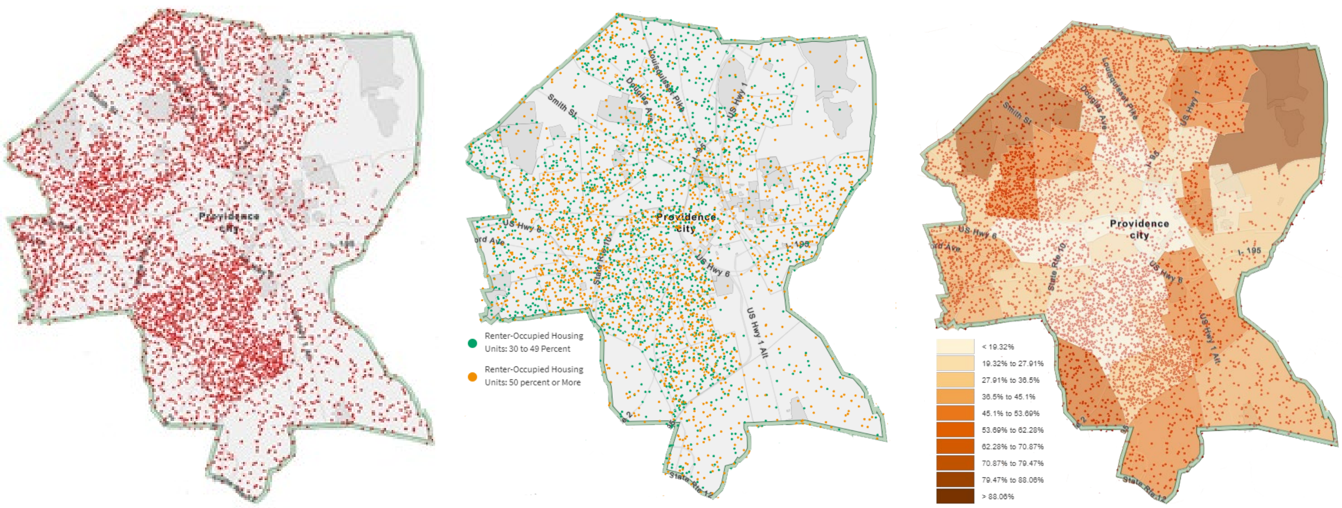


Homeowners' Loan Corporation (HOLC) Residential Security Map of Providence, RI, 1935 with Providence's Black population in 1940 (left) compared to 1960 (right).

Today, communities such as Providence still deal with the effects of decades of racist and unequal policies: rent burden is higher for Black residents than it is for White residents, homeownership among Black families and households is lower while home values are higher in predominantly White neighborhoods, and air quality is worse in predominantly Black neighborhoods.[20]

[20] The Olneyville, Upper South Providence, and Manton neighborhoods have the lowest homeownership rates in the City. These neighborhoods also have a majority population of color (90%, 93%, and 63%, respectively). More than 50% of residents in Olneyville and Upper South Providence are also housing ***cost-burdened***. According to 2018 ACS 5-year estimates, statewide 65% of White households own a home, while only 32% of Black households own a home.

As a City, Providence must now confront the consequences of decades of governmental and private policies that segregated neighborhoods and produced unequal outcomes for residents of different races. The recommendations in this plan seek to center access, equity, and justice in housing for all Providence populations, but especially for the City's Black, Indigenous and People of Color (BIPOC) residents. This plan will help the City and its partners begin dismantling decades of racist and unequal housing policy to ensure that housing in Providence is healthy, safe and affordable and that the benefits of development are shared more equally throughout our neighborhoods without displacing residents or further segregating our city.



City of Providence 2018 Black Population (left) compared to 2018 Cost-Burdened Households (middle) and 2018 Homeownership Rates and Black Population by Census Tract (right)

BUILDING ON RECENT RELATED STUDIES AND EFFORTS

The Anti-Displacement and Comprehensive Housing Strategy brings together the City's existing efforts to preserve and promote safe, ***affordable housing*** with those of its implementation partners and identifies opportunities for better collaboration or consolidation of efforts. The nine-month long process merged empirical data analysis, input from key stakeholders, and findings from previous analyses to identify needs, challenges, and opportunities.

In addition to the City's existing housing programs funded through ***HUD***, there are several statewide, regional, and local partners engaged in removing barriers to housing. The Anti-Displacement and Comprehensive Housing Strategy is intended to work in tandem with other initiatives and investments, such as those outlined below, as well as other investments that help reduce displacement through workforce development/job creation and affordable transportation. The following highlights the most recent and substantial housing analysis and implementation efforts undertaken by the City and its housing partners:

- City of Providence:
  - Comprehensive Plan: Providence Tomorrow (2014)
  - Consolidated Plan (2015) – UPDATED IN 2020
  - Draft Affordable Housing Summary (2018)
  - Climate Justice Plan (2019)
- Rhode Island Office of Housing and Community Development:
  - Regional Analysis of Impediments to Fair Housing (2015) - UPDATED IN 2020
- United Way of Rhode Island:
  - Housing Summit Report (2016)
- Rhode Island Alliance for Healthy Homes:
  - City of Providence Healthy Housing Strategy (2017)
- Neighborhood Preservation, Inc.:
  - Vacant and Abandoned Properties Draft Recommendation Report (2018)
- Housing Works, Rhode Island:
  - Housing Fact Book (2018)
- City of Providence City Council Commission on Affordable Housing:
  - Draft Recommendations (2018)
- Bloomberg CITYLAB
  - Neighborhood Housing Summit Report (2018)
- Homes RI
  - Housing Summit (2019)
  - Housing Opportunities Framework & Policy Priorities (2020)

Each of these assessments focus on mitigating displacement, creating new ***price-appropriate housing***, preserving existing ***affordability***, improving housing conditions, providing better support services, and increasing housing opportunities and choice; however, coordinated and collaborative implementation is a necessity.

The City of Providence recognizes the benefit of having a unified vision to guide action and investment. At a base level, creating a unified vision will ensure the City's limited housing resources are deployed in a way that is consistent with defined goals and priorities. More strategically, a unified strategy enables the City to seek stronger partnerships that can expand available resources, and therefore have a stronger impact on housing needs.

- Ensure all residents can benefit from energy efficiency improvements without concern for being displaced.
- Build off past engagement efforts and community-led proposals to develop a comprehensive housing strategy that identifies anti-displacement policies and increases housing ***affordability***, access, and homeownership for ***frontline communities***[21] in Providence.
- Ensure community members have access to information about how to navigate services related to housing ***affordability*** and anti-displacement.
- Create housing and anti-displacement metrics for Providence and ensure that future versions of this report add housing and anti-displacement targets.
- Develop a local model and assessment plan with ***frontline communities*** for ***Community Benefits Agreements (CBAs)***[22] and require them for large new developments and redevelopments. The ***CBA*** concept frames many of the performance recommendations detailed later in the strategy.
- Work with frontline community organizations and the Community Action Partnership of Providence (administrator of the ***Low-Income Home Energy Assistance Program***[23]) to

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[21] ***Frontline communities*** are those that experience "first and worst" the consequences of climate change. These are communities of color and low-income, whose neighborhoods often lack basic infrastructure to support them and who will be increasingly vulnerable as our climate deteriorates.

[22] A ***Community Benefits Agreement (CBA)*** is a contract signed by community groups and a real estate developer that requires the developer to provide specific amenities and/or mitigations to the local community or neighborhood. In exchange, the community groups agree to publicly support the project, or at least not oppose it. Often, negotiating a CBA relies heavily upon the formation of a multi-issue, broad based community coalition including community, environmental, faith-based and labor organizations.

[23] The ***Low-Income Home Energy Assistance Program (LIHEAP)*** helps families living on low incomes pay their heating bills in the form of a cash grant. Households in immediate danger of being without heat can also qualify for crisis grants. The cash grant is a one-time payment sent directly to the utility company/fuel provider to be credited on your bill. These grants range from $200 to $1,000 based on household size, income, and fuel type. Remember: This is a grant and does not have to be repaid.

expand knowledge of, access to, and better evaluations of existing energy efficiency programs, especially to frontline community members in culturally-appropriate ways.

- Increase funding for the City's Home Repair Program to serve a greater number of households, and expand marketing of program and emphasize focus on energy efficiency.

VISION AND GOALS

The Anti-Displacement and Comprehensive Housing Strategy builds upon past and present efforts to define a concise, unified vision and preferred outcomes for the City's ***affordable housing*** efforts. The vision statement and supporting goals incorporate these previous efforts with results from extensive outreach efforts and empirical analyses. The following vision statement and goals have influenced the recommendations detailed in this document.

1. Vision Statement

The City of Providence seeks to provide its people with opportunities to find healthy, safe, and ***affordable housing*** options throughout every neighborhood. In doing so, the City preserves and promotes the character of its existing neighborhoods through strategic investments in preservation, rehabilitation, and new development.

2. Housing Goals

Preserve the City's existing housing stock and its *affordability*. The City is made up of many unique and historic neighborhoods. Each one provides a valuable component to the quilt that is the City of Providence. Ensuring existing structures remain safe and habitable is important to maintaining the history and fabric of these neighborhoods. The City is committed to preserving and protecting historic structures, and in turn, its neighborhoods. Accordingly, there are several recommendations focused on expanding rehabilitation of existing structures. **The City should prioritize investments that assist homeowners and landlords to keep historic structures safe and healthy for their occupants.** Partnering with property owners to accomplish this can also help preserve the City's housing ***affordability*** by defraying some costs such as upgrading HVAC systems, mitigating lead paint hazards, and addressing antiquated electrical/plumbing systems.

Promote greater *price diversity*[24] in new construction. The City offers several incentive programs for new construction projects that can ease development costs. These programs are used to achieve greater ***price diversity*** within development projects. Several recommendations have been made to use incentives to increase housing ***price diversity***, including: requiring minimum ***affordability*** thresholds, creating bonus incentives for more committed units or targeting lower income households, and regulatory enhancements such as administrative approvals or pre-approved architectural designs to further reduce development costs.

[24] ***Price diversity*** refers to having housing supply available at multiple price points, from affordable to upper end.

Expand housing choice throughout Providence. Improving housing conditions and increasing the number of ***affordable housing*** units addresses housing equity and justice but does not directly address housing access. **The data analysis reveals that housing choice is limited for the lowest-income households, particularly in neighborhoods with transportation choices, high-performing schools, proximity to jobs, and quality support services.** This strategy includes recommendations for how to prioritize investments towards areas that currently offer fewer housing choices for these households, promote greater homeownership opportunities through layered public-private partnership resources, and encourage infill development opportunities that complement neighborhoods while lowering per-unit development costs.

While regulatory changes will help achieve these goals, more money is needed to bridge the financial gap between mitigating resident displacement, increasing healthy homes, preserving affordability, and promoting greater access through new construction and homeownership.

Empower people through a proactive engagement process. The City recognizes that improving housing conditions requires more than just improving the physical housing stock and wants to expand access to the information and resources necessary for people to find safe, ***price-appropriate*** housing and receive equitable treatment in the marketplace. **The City should collaborate with property owners to ensure changes to and implementation of existing policies and programs are structured to achieve desired outcomes efficiently and effectively.** An improved exchange of information between the City, residents, and property owners will build buy-in and maximize the impact of the City's efforts.

Increase resources available for *affordable housing* programs. Identifying new financial resources available for housing programs is the overarching strategy needed to better address the previous goals. **Simply put, the City does not currently have the resources to effectively implement all of the proposed strategies. While regulatory changes will help achieve these goals, more money is needed to bridge the financial gap between mitigating resident displacement, increasing healthy homes, preserving *affordability*, and promoting greater access through new construction and homeownership.** This strategy provides recommendations for new public funding sources as well as a blueprint to better engage public, private, and non-profit partners to leverage City money to attract investment partners through a mutual benefit approach.

3. Production Goals

The City currently makes two types of investments towards housing production. The City uses a portion of its annual ***Community Development Block Grant (CDBG)***[25] and ***HOME Investment Partnerships Program (HOME)***[26] allocations from ***HUD*** to fund new construction projects. These projects are required to follow Federal guidelines on ***affordability*** percentage and income target. The City also uses local tax abatement programs to achieve ***affordability***. The cost of producing new ***income-controlled housing*** is defined by the cost of production and the income from the purchase (ownership) or monthly rental payments (rentals). The City currently uses these two types of investments to maximize production but is limited in how many units it can subsidize due to its finite resources. **If the City seeks to increase the number of *income-controlled* units to be built or seeks to serve even lower income households, it will require more financial resources.** The Strategy identifies opportunities to leverage both federal funding and local financing programs. Ultimately, the net number of new units to be targeted should be determined by the resources available.

To meet this collective need within the next 10 ten years, the City would have to target development and rehabilitation of more than 850 ***price-appropriate*** rental and ownership units for households earning below 100% of ***AMI*** *each* year.

The following table details the existing and projected (through 2030) need for ownership and rental housing by income threshold. **Between now and 2030, rental housing is most needed for households earning less than 30% of *AMI*, with a**

[25] The ***Community Development Block Grant (CDBG)*** Program is overseen by ***HUD*** and provides annual grants to states, cities, and counties to meet housing needs and expand economic opportunities for low- and moderate-income persons. The amount of ***CDBG*** funds provided to states, cities, and counties is based on a formula which considers factors such as extent of poverty, total population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas.

[26] The **HOME Investment Partnerships (HOME)** Program is overseen by ***HUD*** and provides annual funding to states, cities, and counties to fund a wide range of housing activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people.

cumulative shortage of almost 7,300 *price-appropriate* housing units by 2030 (Table 1). There is a projected net shortage of more than 500 units for households earning between 30% and 50% of ***AMI***. **Between now and 2030, ownership housing is most needed for households earning less than 100% of AMI, with a cumulative shortage of over 500 units**.

Table 1
Existing/Projected Unmet Housing Demand and Target Production Goals for Mitigation in 10 Years
City of Providence; 2020-2030

AMI Threshold	Current Unmet Demand	Production Levels to Mitigate in 10 Years	Projected Unmet Demand - 2030	Production Levels to Mitigate in 10 Years	Total Annual Target Production Levels
RENTAL HOUSING					
Under 30% AMI	5,789	579	1,499	150	729
30% to 50%	0	0	528	53	53
50% to 80%	0	0	343	35	35
80% to 100%	0	0	0	0	0
Over 100% AMI	3,857	386	0	0	386
TOTAL	***9,646***	***965***	***2,370***	***238***	***1,203***
OWNERSHIP HOUSING					
50% to 80%	0	0	355	36	36
80% to 100%	0	0	159	16	16
100% to 120%	194	20	114	12	32
Over 120%	2,992	300	0	0	300
TOTAL	***3,186***	***319***	***628***	***63***	***382***

Source: RKG Associates, Inc. 2020

It is important to note that "production" does not mean new construction only. Production also includes rehabilitation of existing housing units that are then committed to maintaining ***affordability*** for a set period of time (as is currently done through the City's ***CDBG-*** and ***HOME-***funded programs). As such, **production needs to include new construction, preservation of existing supply that is *income-controlled*, and identification of new opportunities for existing owners to rehabilitate their structures in exchange for a commitment to maintain *affordability*.** This is an important distinction because the potential cost to address current and projected need is well above the City's existing resource capacity. Given the higher cost of constructing new units compared to rehabilitating existing structures, focusing solely on new construction would be even more capital intensive. In addition to creating more new affordable units, investing dollars into existing structures helps preserve the unique, historic character and urban fabric of Providence's neighborhoods.

Beyond the sheer number of units needed, the corresponding cost to build or rehabilitate and income-qualify residents significantly increases the cost of providing *price-appropriate* housing to extremely low-income households. Doing so creates both a capital cost need as well as an ongoing operational subsidy, as rents affordable to these households do not cover the cost to operate a privately-owned unit. Further, it was reported through the outreach component of this analysis that many of the existing units that are affordable to households earning below 50% of ***AMI*** are more likely to have healthy homes issues (such as lead paint and air quality) or substantial repair needs. While there is no feasible way to estimate the level of rehabilitation needs for existing affordable units, creating new ***income-controlled housing*** (either through new construction or rehabilitation) is not the only unmet need in Providence.

A reasonable goal for ***affordable housing*** preservation and production is to find ways to increase efficiencies and reduce costs (per unit) to maintain and expand the City's ***affordable housing*** supply while seeking new partnerships and funding sources to expand current efforts. Concurrently, **this process identified the need for the City to augment its existing criteria matrix on how to define the "best" projects in which to use the City's limited resources.** In short, decisions on how to deploy existing resources are currently more focused on meeting funding program requirements rather than strategically investing resources to address the highest priority needs. Expanding the existing set of criteria focused on the City's housing priorities that can be applied across all proposed investments will enable the City to ensure its resources are maximizing the benefit to Providence residents in greatest need of support. **The following production and preservation goals were identified through stakeholder engagement and a market analysis and should help guide the City's efforts to define specific criteria used to augment the City's existing decision matrix.**

Rental Production Goals

- **Increase rental unit choice for households earning at or below 50% of *AMI* outside the Broad Street/Elmwood Avenue, Olneyville/Hartford, and Smith Hill/Wanskuck areas of the City.** These three submarkets account for almost 70% of existing subsidized units and 93% of planned subsidized units. The City should prioritize its ***CDBG*** and tax incentive investments in areas of the City with the least amount of housing choice for these households, including Silver Lake, Elmhurst, Mount Pleasant, Fox Point, Downtown, the Woonasquatucket Corridor, and the East Side.

- **Continue to maximize land assets in Downtown and along the Woonasquatucket Corridor since these areas have the greatest potential for new construction.** Further, these areas are the most logical for high-density development given their proximity to Downtown and distance from Providence's suburban-scale neighborhoods. Projects proposed in these areas (both new construction and adaptive reuse) should be priorities for greater ***price diversity***, given the strong access to amenities that benefit modest income households (such as diverse transportation choices and employment access).

- **Give priority for City resources to areas well served by plentiful *low-cost transportation choices*, access to supportive services, access to retail and conveniences, and proximity to jobs.** As with the Downtown and Woonasquatucket areas, all areas with multiple amenities should be a focus for City investment in new construction to accommodate greater housing choice and access.

- **Encourage further development of *market-rate* studios and one-bedroom rental units.** The market analysis revealed that Providence has a shortage of ***market-rate housing*** for studios and one-bedroom units. Accommodating further development of ***market-rate*** studios and one-bedroom units can alleviate downward pressure on the housing market, by ensuring plentiful choices for higher income households that often choose to rent less expensive units or larger units they do not need, and therefore reduce housing otherwise available for lower-income households.

- In contrast, **new construction of subsidized units should focus on larger units (two or more bedrooms), as these have the greatest unmet demand among current Providence residents.**

Homeownership Production Goals

- Prioritize homeownership development resources for the creation of homeownership units for households earning **50% to 100% of *AMI* in the East Side and Downtown.** Similar to rental housing ***affordability***, there is very little choice for modest earning households in these neighborhoods. More specifically, the East Side, Downtown, and Woonasquatucket Corridor offer very little homeownership opportunities for households earning below 100% of ***AMI***.

- **Seek ways to increase new construction homeownership opportunities while maintaining the scale of existing neighborhoods.** The strategy provides several regulatory recommendations to increase unit delivery in community-sensitive ways. Zoning tools, such as ***cluster development***[27] and ***small lot development***[28], can increase unit yield and decrease development costs while maintaining the character of the existing community. Internal modifications to existing houses offer opportunities to increase the number of units and decrease costs through strategic subdivision. Finally, creating City-approved designs for non-conforming lots or horizontal multi-unit buildings can activate parcels previously unable to support new housing in a price-sensitive manner.

- **When resources become available, the City should consider creating specific incentive programs to promote new homeownership development in neighborhoods with low homeownership rates, such as the Greater West Side, Fox Point, and Olneyville/Hartford**. Historically, these neighborhoods have been targeted for additional rental housing infill development; however, creating greater ownership

[27] ***Cluster developmen***t is the grouping of residential properties on a development site in order to use the extra land as open space, recreation, or agriculture.

[28] ***Small lot development*** is residential construction that occurs on lots smaller than the current zoning allows. ***Small lot development*** typically incorporates other strategies, such as ***cluster development***.

opportunities in these neighborhoods can offer existing area residents access to homeownership without having to leave their communities. Tools, such as ***land banks***[29], can be used in collaboration with the ***Providence Redevelopment Agency's (PRA's)***[30] capital resources and the City's ***CDBG*** funds to further reduce the cost of ownership.

4. Preservation Goals

As noted earlier in this section, preservation of existing *income-controlled* units and *naturally-occurring affordable housing*— to mitigate issues such as lack of complete plumbing facilities, lack of complete kitchen facilities, and lead paint— should remain a high priority for the City. From a statistical perspective, the need to preserve and rehabilitate existing housing is clear. The ***HUD*** estimates 307 existing housing units in the City lack complete plumbing facilities and another 521 lack complete kitchen facilities. Further, approximately 65% of Providence's rental units were built prior to 1959 (approximately 37,000 units). While a unit's age does not necessarily indicate maintenance needs, previous studies (such as the City of Providence's Healthy Housing Strategy) have documented challenges— such as lead paint mitigation, electrical issues, and ventilation issues— for many of these units.

More qualitatively, during stakeholder engagement conducted as part of this study, the consultant team received anecdotal reports of rental property owners creating illegal units (such as units without sufficient ingress or egress) and multiple households occupying a single housing unit because they individually cannot afford housing in Providence. While quantifying these instances is beyond the scope of this effort, the informal reporting of these situations clearly indicates the need for a better mechanism to determine the extent of these situations and identify resources to help mitigate their collective impact on the preservation and rehabilitation of the existing housing stock in Providence.

Housing preservation and rehabilitation assistance for homeowners is important as well. According to U.S. Census data, more than 30% of homeowners in Providence earn less than $50,000 annually. As the ***Baby Boomer generation***[31] continues to reach retirement and statistically chooses to ***age-in-place***, expanding programs targeted at seniors and low-income households will be necessary to ensure rehabilitation for health and safety needs. Lead paint

[29] ***Land banks*** are organizations that purchase and hold land for future development; in this case, land would be acquired in strategic locations, and would be held for later development that includes or is exclusively designated as affordable housing.

[30] The ***Providence Redevelopment Agency (PRA)*** operates under the powers set out in Chapters 31-33 of Title 45 of the Rhode Island General Laws, the "Redevelopment Act of 1956." The ***PRA's*** focus is the elimination and prevention of blighted and substandard areas. It is also granted broad power to foster economic development in substandard and blighted areas.

[31] The ***Baby Boomer generation*** refers to persons born between the mid to late 1940s to the mid-1960s. The name refers to the increased birth rate after World War II.

remediation is as important for owner-occupied units as it is for renter occupied units, as 85% of ownership units were built before 1980.

TECHNICAL ANALYSIS SUMMARY

The RKG Associates' Team completed a thorough socioeconomic, real estate, and financial feasibility analysis of the City of Providence to understand current and projected housing market needs. This empirical analysis used data from several primary and secondary sources including the U.S. Census, ***HUD***, State of Rhode Island, City of Providence, and several private data vendors such as ESRI, LoopNet, and Apartments.com. In addition to the data analysis, the RKG Team also interviewed City leadership and staff, community stakeholders, and real estate professionals to garner a qualitative understanding of the quantitative analysis. RKG also spoke with housing advocates, housing providers, housing developers (public, non-profit, and private), and special interest groups to ensure all perspectives were considered when crafting the implementation strategy. The following section highlights the Technical Analysis. For the full Technical Analysis, please refer to the Appendix.

1. Overarching Findings

Providence's *affordable housing* investment needs far exceed the current amount of funding available to meet demand. ***Affordable housing*** needs range from homeowner repairs, small rental property repairs, multi-family rental development, new housing construction, lead abatement, code enforcement, and vacant property restoration or demolition. The City of Providence is an ***entitlement community***[32] with ***HUD***, meaning it receives annual federal ***CDBG*** and ***HOME*** funds. For Fiscal Year (FY) 2020, Providence's federal allocation for housing specific programs totaled $3,871,508. The City of Providence also recently committed 10% of its Tax Stabilization Revenues collected each year (expected to generate $1.1 million in funding annually) to support ***affordable housing*** programs. However, these amounts do not cover the overall need for housing, particularly for those earning less than 30% of ***AMI***. **To put this in context, the City has spent more than $2.6M on the construction of 33 *income-controlled* units since 2015. The housing market analysis identified the need for more than 5,100 rental units for households earning below 30% of *AMI* to address existing *cost-burdening*.** This represents only a fraction of the housing need identified through the empirical and anecdotal analyses conducted for this plan.

[32] To qualify as an ***entitlement community*** through ***HUD***, the entity must be a central city of a Metropolitan Statistical Areas (MSAs), a metropolitan city with a population of at least 50,000, or a qualified urban county with a population of at least 200,000 (excluding the population of entitled cities). Entitlement communities are eligible to receive annual federal funds from ***HUD***, including ***CDBG*** and HOME Investment Partnerships Program funds.

Extremely low-income households are underserved. As with most communities in the United States, Providence households earning less than 30% of ***AMI*** (a household of two people earning less than $19,650 annually) have the greatest ***affordability*** challenges and least housing choice. **The *affordability* analysis conducted identified over 5,100 more renter households in Providence earning less than 30% of *AMI* than there are rental housing units priced appropriately for them.** The challenge is particularly acute for larger households (three or more people), where there is even less ***price-appropriate*** supply.

Housing choice is limited in several areas of the City. While Providence housing is not as expensive compared to other New England cities, there are disparities in ***affordability*** based on location in the City. Some submarkets have much stronger demand than others, particularly in Downtown and the East Side. Areas of the City with the most amenities tend to have the fewest opportunities for modest-income households. In contrast, lower cost and ***income-controlled housing*** and associated support services are concentrated in areas such as the neighborhoods surrounding Broad Street and Elmwood Avenue and the Smith Hill, Wanskuck, and Charles neighborhoods.

Providence's abundance of two- and three-family structures provides both opportunities and challenges for homeownership. Not unlike other New England urban centers (such as Boston and Portland, Maine) two- and three-family structures are common. In Providence, there are almost as many two- and three-family structures (14,400) as there are single-family structures (14,700). While this diversity itself is not problematic, it creates some challenges when households are seeking homeownership opportunities as there is a reported market preference from potential homeowners for single-family homes, townhomes, and condominiums. Households earning below 80% of ***AMI*** have a financial challenge in addition to housing type preference, since the cost of maintaining rental units (particularly in older structures that require greater investment) can be cost-prohibitive. Providence's modest market demand and abundance of two- and three-family structures can also encourage investors while creating challenges for ownership opportunities. On the other hand, two- and three-family structures can provide unique opportunities for low-income households to supplement their incomes or multi-generational households to live together, making homeownership more attainable for many.

Providence's aging housing stock creates greater need for housing rehabilitation and modernization. Providence's housing stock is some of the oldest in the country, with almost 70% of the City's supply built before 1959. This older housing stock creates the need for housing rehabilitation and modernization for several reasons, including home health issues (such as lead-based paint and air quality), physical safety issues (such as modern wiring), and financial issues (such as needed repairs and accessibility upgrades).

From a homeownership perspective, Providence's large, growing, senior homeowner population faces fixed incomes and continuing housing repair and accessibility needs.

The need to ensure units occupied by seniors do not fall into disrepair is as much a current safety issue as it is a long-term sustainability issue for the housing stock. This growing senior population may also want to ***age-in-place***, requiring accessibility enhancements to older structures. Given how much of the City's housing was built prior to 1959, it is highly likely it was not built to conform with current accessibility standards (first released in 1961 and federally recognized in 1974) and will need substantial investment to retrofit.

The City's older housing stock creates similar issues for rental structures as it does for homeownership units, including the need for rehabilitation, safety mitigation, and modernization. From a rental housing perspective, real estate professionals and current residents have noted that patchwork repairs and improvements over the decades— particularly for rental units— are prevalent in the City's rental housing stock. This approach has created challenges for both property owners and tenants to address what would be simple repair needs due to the cumulative impact of non-standard or in some cases, unsafe, improvements. Structures that have been subdivided into multiple units (both legally and illegally) have created further issues around utility repair and cost allocation. These issues are exacerbated by the historically complaint-driven approach the City has taken to code enforcement and compliance, rather than a more proactive compliance requirement. The lack of housing choice for modest-income households forces these households into the least maintained structures and provides little financial motivation for an owner to modernize units. **This analysis revealed a correlation between price *affordability* and housing condition, meaning that the most *affordable housing* units have a higher incidence of health, safety, or energy efficiency issues.**

2. Impact of COVID-19

The Anti-Displacement and Comprehensive Housing Strategy market analysis was conducted between September 2019 and April 2020. While the COVID-19 pandemic began in early 2020, the short- and long-term socioeconomic and housing impacts remain impossible to quantify even at the time of this report being written (September 2020). The preliminary impacts of this health crisis reveal that households at the lowest end of the income spectrum are being disproportionately impacted[33]. **While housing *affordability* concerns have long-predated the COVID-19 pandemic in Providence, the impacts already felt— and continuing to be felt— will further exacerbate challenges faced by the City's lower-income households in obtaining safe, *affordable housing*.**

The retail, service, and entertainment sectors— whose employees have the lowest median income levels— have had the largest unemployment impacts due to necessary social distancing protocols being implemented. The loss of income makes these households the most vulnerable

[33] https://news.gallup.com/opinion/gallup/311714/unequal-distribution-economic-damage-covid.aspx

as they also tend to have the least savings to carry them through extended unemployment[34]. While federal payroll protection programs have offered some relief to these households, it has not reached all households[35]. Further, reopening strategies have required those collecting unemployment benefits to return to work because benefits were being terminated. Those that have health issues, or a household member with health issues, have been put in a precarious situation between collecting a paycheck and risking their health or not returning to work and losing their income.

Financial support for homeowners who have lost jobs and landlords who have lost rental income has mitigated some impacts; however, most nationally recognized housing economists predict that foreclosures and evictions will spike once state and federal programs are halted. This has proven true in Providence[36]. According to Kara A. Picozzi, a spokeswoman for the District Court, a total of 420 eviction cases were filed from June 2nd through June 30, 2020 for nonpayment. That adds to the 360 that remained pending prior to the courts shutting down on March 17, 2020. Those numbers are projected to climb as the federal unemployment supplement and moratorium on evictions from federally subsidized housing (such as those receiving Section 8 housing vouchers) ended in July 2020. At the time this report was written, no additional federal benefits have been agreed to. In response, the City partnered with Crossroads Rhode Island, Rhode Island Legal Services, and the Rhode Island Center for Justice in July on a $1-million program to provide rental assistance and legal aid to Providence residents facing imminent eviction; however, the Federal Reserve Bank of Boston released a report in May 2020 forecasting that 13% of Rhode Island homeowners and 33% of renters are at risk of missing a housing payment without the $600 weekly federal unemployment payment. If this forecasting is accurate, **more than 80,000 Rhode Island households are currently at risk of missing a rental housing payment.**

3. Current Rental Housing *Affordability*

While the rental housing market in Providence is comparatively affordable to other New England cities, extremely low-income households are underserved. As with most communities in the United States, Providence households earning less than 30% of ***AMI*** (a household of two people earning less than $19,650 annually) have the greatest ***affordability*** challenges and least housing choice. Almost 40% of the City's renter households earn less than 30% of ***AMI***, while less than 20% of units are priced to this income level (which includes all subsidized housing units). The ***affordability*** analysis identified almost 5,800 more renter households in Providence earning less than 30% of ***AMI*** than there are rental housing units

[34] https://www.mckinsey.com/industries/public-and-social-sector/our-insights/lives-and-livelihoods-assessing-the-near-term-impact-of-covid-19-on-us-workers#

[35] https://abcnews.go.com/US/mass-evictions-horizon-us-confronts-coronavirus-housing-crisis/story?id=70367541

[36] https://www.brookings.edu/blog/up-front/2020/09/21/an-eviction-moratorium-without-rental-assistance-hurts-smaller-landlords-too/

priced appropriately for them (Table 2). The challenge is particularly acute for larger households (three or more people), where there is even less ***price-appropriate*** supply.

Table 2
Rental Housing Supply and Demand by HUD AMI Income Threshold
City of Providence, RI

AMI Threshold	Under 30%	30%-50%	50%-80%	80%-100%	100%-120%	Above 120%	
Annual HH Income	$19,650	$32,800	$52,400	$65,600	$78,720	$78,720+	
Rent Level	$491	$820	$1,310	$1,640	$1,968	$1,968+	**Total**
Studio							
Supply	1,609	448	733	336	124	74	3,324
Demand	1,162	494	483	210	179	424	2,952
Gap	**447**	**(46)**	**250**	**126**	**(55)**	**(350)**	**372**
1 Bedroom							
Supply	4,977	2,343	3,532	1,190	318	424	12,784
Demand	5,504	2,338	2,289	993	845	2,009	13,979
Gap	**(527)**	**5**	**1,243**	**197**	**(527)**	**(1,585)**	**(1,195)**
2 Bedrooms							
Supply	2,183	4,315	8,654	2,911	684	608	19,355
Demand	4,598	1,953	1,912	830	706	1,678	11,678
Gap	**(2,415)**	**2,362**	**6,742**	**2,081**	**(22)**	**(1,070)**	**7,677**
3 or More Bedrooms							
Supply	1,409	2,543	7,158	2,974	791	1,402	16,277
Demand	4,703	1,998	1,956	849	722	1,717	11,946
Gap	**(3,294)**	**545**	**5,202**	**2,125**	**69**	**(315)**	**4,331**
TOTAL							
Supply	10,178	9,649	20,077	7,411	1,917	2,508	51,740
Demand	15,967	6,784	6,640	2,881	2,453	5,829	40,554
Gap	**(5,789)**	**2,865**	**13,437**	**4,530**	**(536)**	**(3,321)**	**11,186**

Source: City of Providence, 2017 ACS Estimates, Zillow.com, HUD and RKG Associates, Inc. 2020

While the primary goal of this plan is to increase *affordable housing* opportunities, it is important to acknowledge the impact of having insufficient *price-appropriate* rental housing across all income levels. In Providence, the data analysis identified there are more households earning above 100% of ***AMI*** than units priced to this income level (specifically, ***market-rate*** studios and one-bedroom rental units). This market imbalance is applying pricing pressures on low- and moderate-income households, enabling rent levels to rise faster than annual income growth for modest income households. Further, these more affluent households also occupy a unit that could otherwise accommodate a lower income household, thus creating a shortage and additional pressures on more vulnerable populations. In Providence, there are more than 3,800 households earning over 100% of ***AMI*** than there are ***price-appropriate*** units for that income level.

Current rental housing demand is strongest for centrally located, highly amenitized units, particularly in or adjacent to Downtown. This situation is driving most new construction projects, particularly those within the Jewelry District, where land has been opened up by the relocation of I-195. However, Downtown and the City's East Side have had the predominant focus for both recent new construction and adaptive reuse projects. Recent ***market-rate*** new construction projects are priced at or above the 120% of ***AMI*** threshold, reflecting the opportunity to serve the unmet demand for that income group. Development targeting the most lucrative opportunities is common, but also reinforces the need for the City to use its regulatory and financial incentives to ensure new developments include ***price diversity***. This is particularly important to ensure all households have access to all of the City's neighborhoods.

4. Current Ownership Housing *Affordability*

Single-family houses and condominiums are the most expensive and not obtainable to potential homeowners earning less than 80% of *AMI*. Purchasing a two-family or three-family unit and managing tenants are the primary options for these households. The availability of homeownership for households earning below 80% of ***AMI*** are very scarce in the Downtown, East Side, Smith Hill, Wanskuck, and Charles neighborhoods.

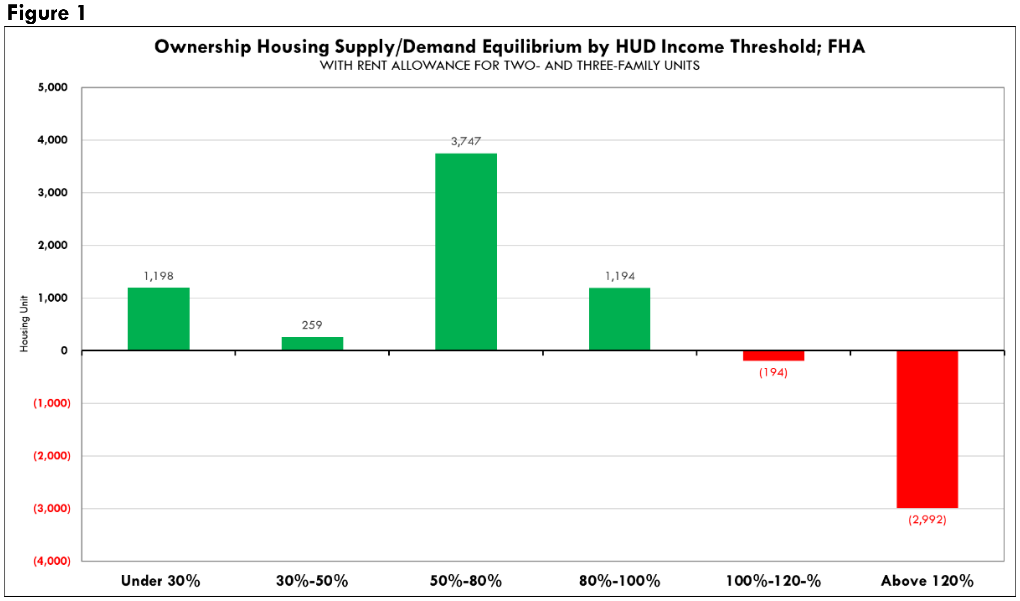
Local real estate professionals indicate that two-family and three-family units are not always in demand from higher income households. Anecdotally, households earning over 120% of ***AMI*** sometimes seek to avoid having to manage tenants in their primary residence, preferring single-family homes or condominiums.

The lack of supply of high-end ownership housing drives up prices and demand for less-expensive units. Like the price escalation impact to the rental housing market, the lack of higher-value single-family homes and condominium units contributes to their rising cost and growing ***affordability*** disparity. Effectively, the relatively higher demand is causing prices for these units to rise. This challenge is particularly true in the City's highest demand neighborhoods (such as Downtown, the Woonasquatucket Corridor, and the East Side), where affordable homeownership options already are very limited.

Not all neighborhoods are experiencing the same homeownership *affordability* trends. Ownership opportunities are limited for moderate- income households (60% to 80% of ***AMI***) in Downtown/Woonasquatucket and the Greater East Side. The City's property assessment data shows that expensive home prices and high home appreciation values limit ownership opportunities for moderate-income households in these neighborhoods which consequently limits the ability of moderate-income households to live in areas with amenities such as ***low-cost transportation*** choices, proximity to Downtown, and high-performing schools.

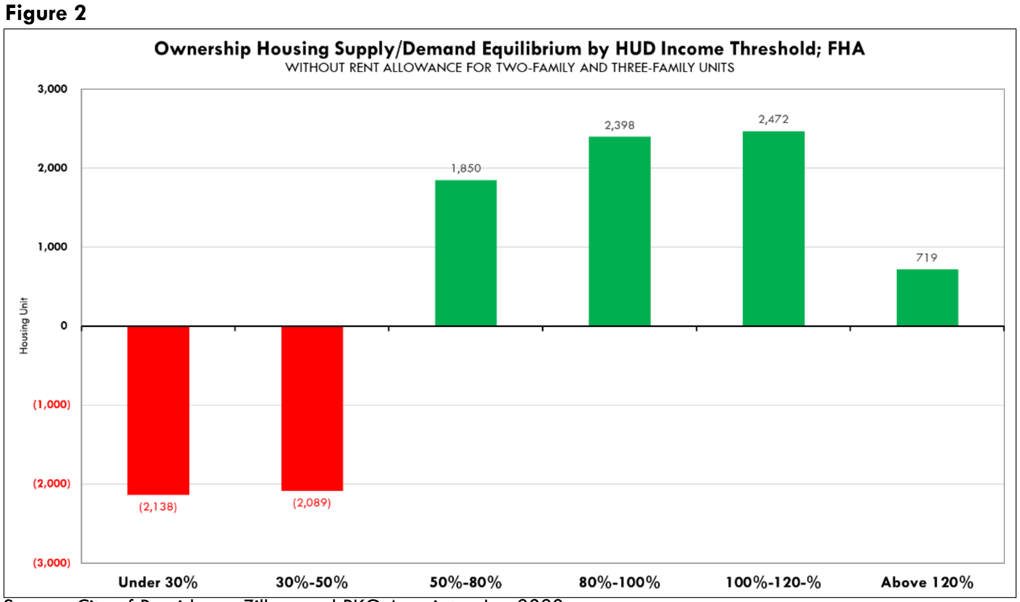
Providence's housing stock creates a unique homeownership market. Much like other New England cities, there are about as many two-family and three-family structures as there are single-family structures. These structures can be owner-occupied but require the owner to manage the additional one (or two) units. On the positive side, lending practices allow homeowners to include a portion of rental income towards their qualifying income, making this housing more obtainable; however, managing rental units requires time and financial commitments not all homeowners can or want to accommodate. From an ***affordability*** perspective, more modest income households that may qualify for a loan for these units may not have the financial reserves to address substantial repairs or lengthy vacancy of rental units. This is an important distinction when discussing homeownership ***affordability***. When rental income is considered as part of a household's qualifying income, Providence's housing market becomes very affordable (Figure 1). With rental income factored in, the only income groups not sufficiently served are those earning over 100% of ***AMI***; however, ***affordability*** is very different when rental income is not considered (Figure 2).

Figure 1



Source: City of Providence, Zillow, and RKG Associates, Inc. 2020

Figure 2



Source: City of Providence, Zillow, and RKG Associates, Inc. 2020

5. Future Supply and Demand Analysis

The RKG Associates Team performed a future supply and demand analysis, projecting household and housing unit growth in Providence. Household growth projections came from a previous study performed by the ***Metropolitan Area Planning Commission (MAPC)*** of the State of Rhode Island. This effort projected new household formations by area of the state and ***AMI*** for both ownership and renter households. Supply development projections were derived from the City's development pipeline data, using recent development valuations to estimate pricing levels by ***AMI*** threshold. Detailed results of the projection analysis are in Appendix B.

The ***MAPC*** analysis indicates that the City's total household count is projected to increase at a stable pace through 2030, increasing 3.8% (2,158 net new households) or over the next decade. Projected growth rates are similar for homeowner and renter households. However, distribution of households by income level differ by ***housing tenure***[37]. Homeowner households are projected to increase in all income groups except under 30% of ***AMI***. The strongest growth is projected to be in households earning between 50% to 80% of ***AMI*** (605 households). This finding is consistent with the City's homeownership housing values, as the largest share of properties are valued in this range.

In comparison, only renter households earning below 80% of ***AMI*** are projected to experience a net growth through 2030. This finding also reflects the impact of the City's existing rental housing stock, indicating the regional rental housing market will remain consistent. The largest net increase within Providence is for households earning less than 30% of ***AMI***, particularly for households headed by persons over 65 (over 50% of the growth in extremely low-income households). This is due to Providence having the highest concentration of modest-priced housing in the region, other communities' land use policies discouraging housing price and unity type diversity, the City's continued commitment to developing new housing across the entire cost spectrum, and Providence's concentration of support services.

The analyses reveal a mismatch between new construction development patterns and projected demand. From a rental housing perspective, households earning below 80% of *AMI* constitute 100% of the household growth in Providence, increasing by almost 2,600 households. In fact, households earning above 80% of *AMI* are projected to decline by nearly 1,300 households. This is primarily due to the fact that Providence has the highest concentration of modest-priced housing in the region, other communities' land use policies discourage housing price and unit type diversity, and Providence is Rhode Island's largest supportive service and employment center. Regardless of reason, this is counter to pricing projections, where all proposed non-subsidized units are expected to price above 120% of ***AMI***. While development in areas like Downtown and the East Side will be buoyed by high demand for these areas, other areas of Providence may be challenged to realize the projected growth in housing demand without subsidies. From an ownership perspective, only those households

[37] ***Housing tenure*** refers to whether a housing unit is rented or owned by its occupants.

earning above 120% of ***AMI*** will have better housing choice. The net increase in units for households earning below 30% results from lower-earning households moving out of Providence, not from new development meeting these households' needs.

Figure 3

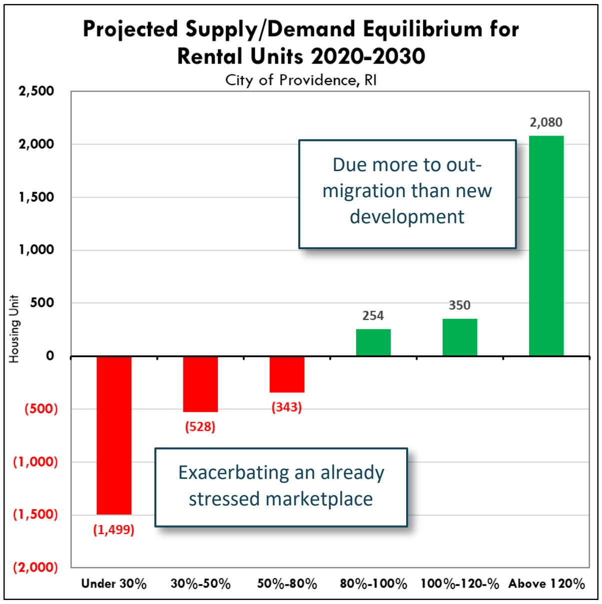
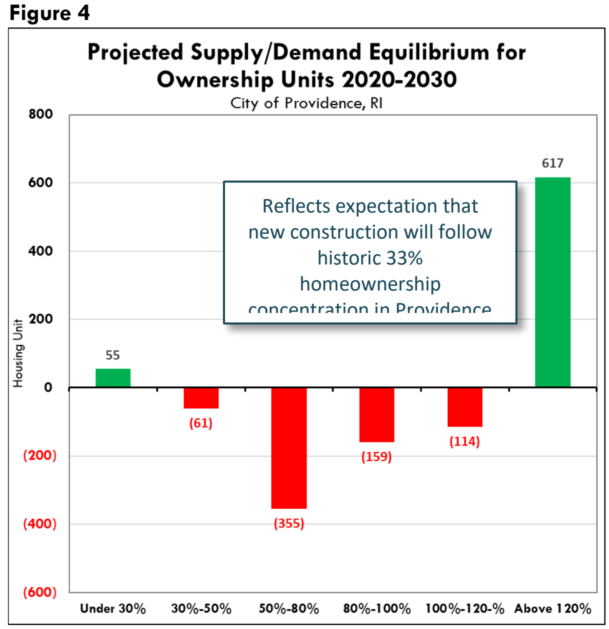


Figure 4



Source: RKG Associates, U.S. Census, MAPC, and the City of Providence, 2020

From a supply perspective, the recent development boom may be disrupted by shifting market forces, particularly the impact of COVID-19. The City's property assessment data indicates approximately 1,850 units were delivered in the past decade. The current development pipeline has 1,849 proposed new units known to the City (with an additional 820 currently under construction); however, local real estate professionals expressed concern about the viability of the full pipeline because units have not been filling as quickly recently. The impact of COVID-19 is causing further concern in the development community, as changes in employment and peoples' ***ability to pay*** their bills are still in flux.

Of the known upcoming development projects, *affordability* trends are projected to continue as well. Approximately 12% of these units are projected to be price controlled (slightly below the historic average of 14%); however, almost 93% of proposed affordable units are concentrated in Olneyville, Hartford and the area surrounding Broad Street and Elmwood Avenue. These submarkets already account for almost 50% of the City's ***income-controlled*** supply.

FUNDING STRATEGIES

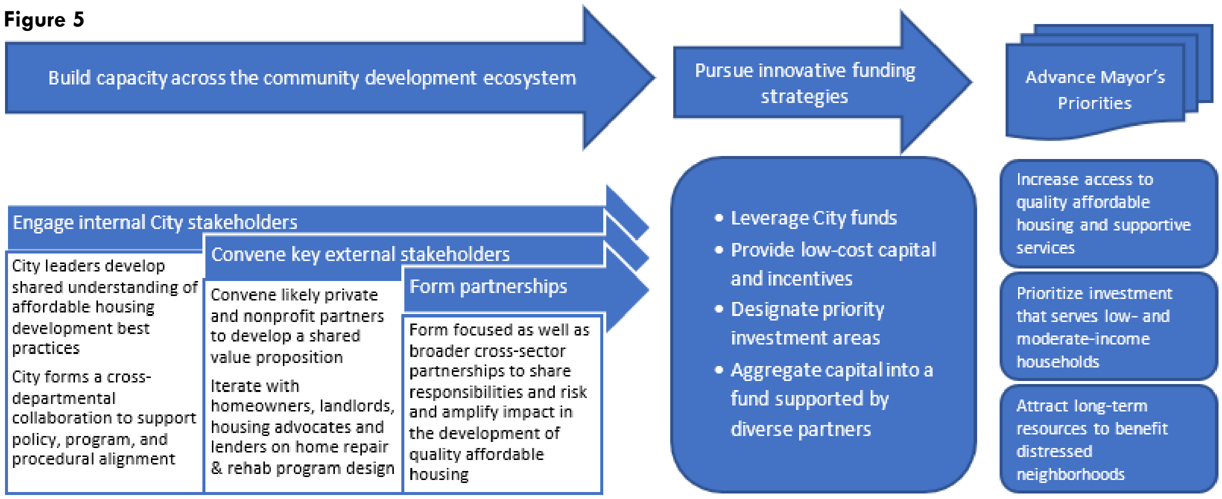
This section focuses on how the City can greatly increase available resources to improve and grow quality ***affordable housing*** stock in Providence. With traditional tools, the City may be able to raise some additional capital, but not on the order of magnitude required to adequately address local housing production goals recommended in this report to satisfy unmet and projected demand in the next decade; however, by employing innovative partnership and financing strategies, the City can multiply the resources available and serve a broader constituency, including the most vulnerable community members. The section is organized as follows:

1. Context and concepts
- The challenge: adequate funding to meet ***affordable housing*** demands
- The solution: innovative financing to leverage city funds and supply ***low-cost capital***
- Attracting private investments and aggregating funds from contributing partners
- Employing effective models to finance home repair and rehabilitation

2. Summary of actions for funding *affordable housing* development
- Five goals to increase awareness, support, and engagement of public, nonprofit, and private enterprises in achieving the City's overall housing goals in alignment with racial, environmental, economic, and climate justice initiatives

3. Recommendations for implementing the actions
- Actions and next steps for the City

Figure 5



Source: Corporate FACTS, 2020

1. Context and Concepts

The challenge: meeting *affordable housing* demand

> More than $225 million (seventy-five times the $3 million expected to be available) may be required each year to meet affordable housing demand in Providence over the next 10 years.

The data analysis concluded that **the City's *affordable housing* investment needs far exceed the amount of resources available to meet demand**. ***Affordable housing*** needs include homeowner repairs, small rental property repairs, multi-family rental development, new housing construction, lead abatement, code enforcement and vacant property restoration or demolition. The City of Providence invests approximately $2.1 million per year in federal dollars to finance various ***affordable housing*** activities. The City is also planning to sell $17 to $20 million in housing bonds backed by tax revenues generated from ***Tax Stabilization Agreements (TSAs)***[38], in order to generate between $1.1 and $1.4 million in funding annually to support

[38] ***Tax Stabilization Agreements (TSAs)*** are agreements between developers and the City that reduce the amount of taxes paid on property for a period not to exceed twenty years. Eligible projects may seek City approval for

affordable housing production. In total from these two sources, **the City will have at least $3 million available annually to commit to housing development and neighborhood revitalization. This funding can and should be leveraged to attract additional resources from partner organizations. More than $225 million (seventy-five times the $3 million expected to be available) per year may be required to meet *affordable housing* demand in Providence over the next ten years to address existing and projected unmet demand for *price-appropriate* housing for households earning under 100% of AMI.**

Over the last two decades, private corporations such as financial institutions, major employers, and anchor institutions such as hospitals and universities have played an increasingly important role in improving low-income communities. Investments in low-income housing ***tax credit projects***[39] have been a primary contributor to building multi-family affordable rental units across the country. Providence ***affordable housing*** developers typically receive only one ***tax credit*** award annually. The City has demonstrated its commitment to leading-edge housing solutions, with the zero-interest loan Home Repair and Lead Safe Providence program successes. **The challenge now is for the City to build on those successes and start taking advantage of best practice trends across the country in which partnerships between government, philanthropy and the private sector are working collaboratively to invest in larger, more complex community and economic development solutions.** In order to pursue this approach, the City should:

- Conduct outreach and educate key stakeholders— such as representatives from across City departments, members of the housing and community development ecosystem, and external partners from public, nonprofit, and private sectors— about best practices from other cities in which partnerships between government, philanthropy, and the private sector have been forged to invest in community and economic development solutions.

- Assess and pursue innovative financing tools and models that:
    - Leverage City funds to grow available capital
    - Designate one or more targeted investment areas
    - Aggregate capital into a long-term fund supported by diverse partners to offer ***low-cost capital***
    - Shape an effective program to finance and incentivize a wide spectrum of ***affordable housing***

phased-in property tax payments that often begin with no payments being required for the first few years after redevelopment of the property and then several years of payments for a percentage of the assessed base value of the property. After a set number of years, the stabilization plan expires, and property taxes return to their full taxation level.

[39] ***Tax credit projects*** (also referred to as the "Low Income Housing Tax Credit" or "Housing Credit") are agreements between developers and the federal government that allow eligible participants to offset a portion of their federal tax liability in exchange for the production or preservation of affordable rental housing.

In light of the COVID-19 pandemic, we recommend taking careful account of staff capacity, community sentiment, and available resources when considering an implementation timeline. Multiple iterations and an extended timeline may be two accommodations necessary to promote access, equity, and justice throughout this process for those leading the initiative as well as those who might engage as partners and contributors. Recent circumstances have led to more meaningful (and necessary) community engagement by the private sector, especially with low-income communities and people of color. This presents an important opportunity for the City to form new approaches and partnerships to advance comprehensive housing development with both ambition and sensitivity.

Innovative financing solutions

The City should pursue four innovative financing strategies: leveraging City funds; supplying *low-cost capital*; working with partners (such as *Community Development Finance Institutions,* or *CDFIs*[40]) to identify one or more target investment areas; and aggregating partner capital. The first strategy, leveraging City funds, will bring in at least one outside partner to increase the supply of funds available for ***affordable housing*** development. The second, supplying ***low-cost capital***, structures partners' contributions to make those funds attractive to potential borrowers– in this case, developers who will add to the supply of ***affordable housing*** units, and property owners who will use the funds to maintain and repair existing ***affordable housing***. The third strategy involves partners identifying one or more areas to target their investments and resources, for which it may be possible to achieve designation as a HUD-defined ***Neighborhood Revitalization Strategy Area*** (***NRSA)***[41]. The final strategy is to aggregate capital, beginning with the City's $3M, by bringing together diverse partners to achieve ***affordable housing*** development at scale.

The homeowner and small rental repair financing model discussed later in this section is a product of these strategies, and will be best achieved through engagement with homeowners, landlords, housing advocates, and lenders to iterate on program design and implementation.

What would it mean to leverage City capital?

The concept of leveraged capital, when a small amount of initial capital is made available to attract additional resources, is not new to the ***affordable housing*** industry. The majority of ***affordable housing*** built since the early 1990s has been financed by private equity investments

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[40] ***Community Development Financial Institution (CDFI)*** Certification is a designation given by the United States Department of the Treasury ***CDFI*** Fund to organizations that provide financial services in low-income communities and to people who lack access to financing. ***CDFIs*** may include ***community development corporations***, credit unions, or loan and venture capital funds. To learn more, visit www.cdfifund.gov.

[41] ***Neighborhood Revitalization Strategy Areas (NRSAs)*** are geographic areas identified by municipalities and approved by ***HUD*** as a tool to help empower individuals, attract investment, and build wealth in areas with a high percentage of ***low- to moderate-income*** households. ***NRSA*** designations allow cities more flexibility with the expenditure and administration of ***CDBG*** funding.

seeking low-income housing ***tax credits*** and ***market-rate*** returns. What is new to the community development sector are innovations other cities have implemented in creating co-investment opportunities between the public and private sectors.

The City of Providence, combining local funds with federal ***CDBG*** funds, has invested $2.6 million to produce 33 ***affordable housing*** units over the past five years, and invested $300,000 to repair 20 homes per year over the same five-year period. **By partnering with banks, other cities have significantly increased the number of units produced or rehabilitated. This strategy provides even greater impacts if investments are targeted in specific areas, such as** ***NRSAs*** (more detail follows in the discussion of ***NRSAs*** on the following pages). The City of Detroit, Michigan— after designating five ***NRSAs***— combined $4 million in city funds, a $1 million grant, and a $4 million zero-interest loan from a bank to create a loan fund that financed nearly 500 ***affordable housing*** units. To support the Toledo, Ohio region, a ***CDFI*** and healthcare institution partnered to raise a combined total of $25 million from public and private sources to create a Health Impact Fund, which makes loans for development projects that increase economic opportunity, address social determinants of health, and improve overall quality of life. In California's Bay Area, a housing trust and a private firm have created a $150 million fund to offer loans for developers to construct new multifamily affordable rental units.

Building on this model from other cities, Providence might use the $3 million already committed to *affordable housing* activities to supply predevelopment capital to developers, add low-interest loans from *CDFIs*, access bank funds designated for community investment, and engage foundations to create a larger pool of capital. The fund could support home repair, ***affordable housing*** preservation, property acquisition and new construction of significantly more affordable units.

How would it work to supply *low-cost capital*?

Borrowers, in the context of ***affordable housing*** development, include developers, landlords, and homeowners who must take out loans to either build or maintain, repair, and improve their properties. The market does not support ***affordable housing*** development without added incentives, in part because affordable units do not generate enough rental income to cover operating costs without additional government subsidy. With ***naturally occurring affordable housing*** rentals, due to low rents and rates of return, ***affordable housing*** stock can fall into disrepair or become subject to upgrades that attract a higher price point and price out ***low- and moderate-income*** tenants. For low- and moderate-income homeowners, home improvement loans may simply not be an option due to credit scores, debt burden, and other factors. Creating and maintaining quality ***affordable housing*** is an expensive, and often not viable proposition for homeowners, developers, landlords, and tenants.

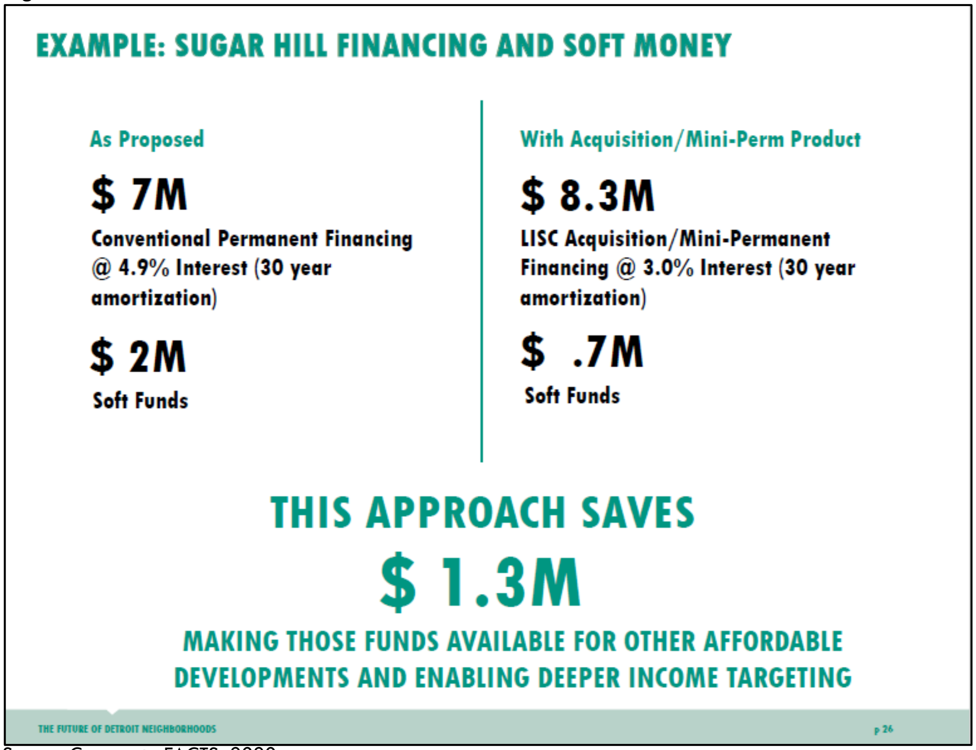
By working with private and philanthropic resources, the City can reduce financing costs to enable homeowners, developers, landlords, and tenants to produce or improve the condition of *affordable housing*. An effective tool for this is a loan guarantee, which enhances the credit of a borrower. In a loan guarantee, an institution in good financial standing promises to assume a borrower's debt if the borrower defaults, thus reducing borrowing costs and allowing projects to attract financing that is less risk-tolerant and would otherwise not make the loan. By providing loan guarantees and enhancing borrower credit, third parties can reduce interest rates for construction and permanent loans that ***affordable housing*** developers need for their projects.

Another method to achieve *low-cost capital* would involve a shift in City practices: instead of providing direct subsidy in the form of a grant, the City could subsidize the interest on low- or no-interest housing development or home repair loans. By using credit enhancements or subsidized interest to provide low-interest loans, the City can lower development costs, which in turn can:

- Incentivize ***market-rate housing*** developers to include affordable units in their projects in exchange for access to ***low-cost capital***
- Expand the supply of ***affordable housing*** by reducing the amount of subsidy required for each unit, thereby allowing for increased production of housing for the lowest income families or the supply of ***affordable housing*** at all income levels
- Reduce the cost of ***affordable housing*** making it possible to create more housing for lower-income households

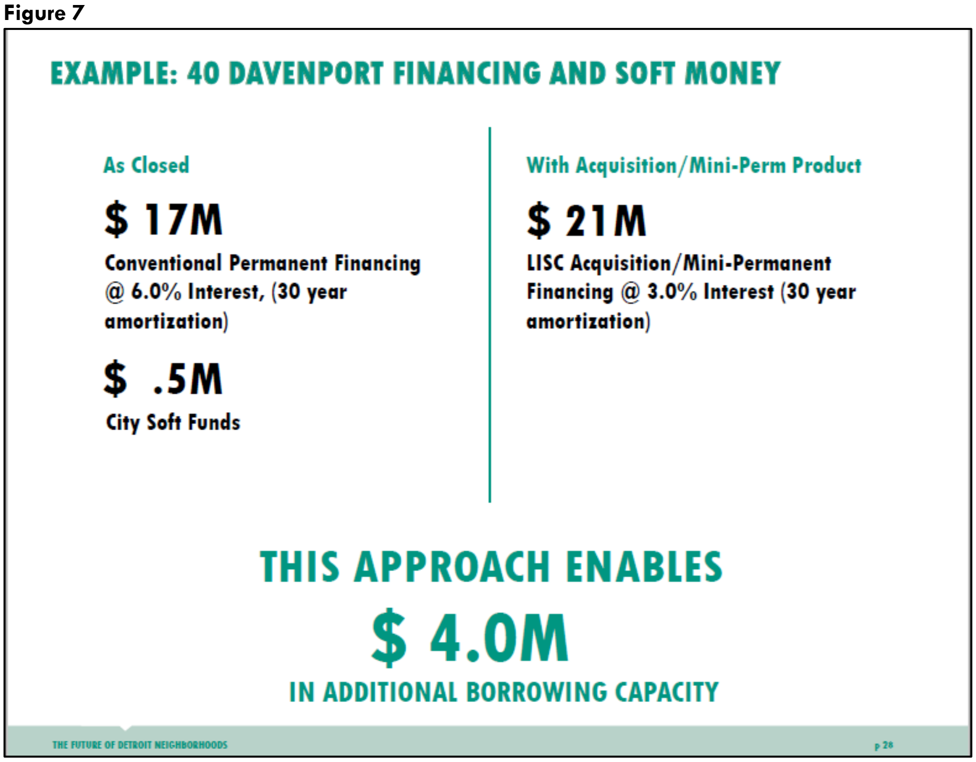
The examples in Figures 6 and 7, though based on different loan products, show how low lending rates help borrowers raise more capital and reduce the amount of public subsidy ("soft money") required to achieve the same result.

Figure 6



Source: Corporate FACTS, 2020

Figure 7



Source: Corporate FACTS, 2020

Focusing investment geographically to attract private capital and achieve higher impact

HUD offers the ***NRSA*** designation as a tool to help empower individuals, attract investment to and build wealth in areas with a high percentage of ***low- and moderate-income households***. **The City should submit one or more NRSA requests as part of an amendment to the Consolidated Plan for 2020-2024 in order to enable more flexibility with its *CDBG* funding.** Housing units within an ***NRSA*** can be aggregated and considered as a single structure for the purposes of the ***national objective criteria***[42]. As a result, the City would have greater flexibility in providing housing to residents in neighborhoods designated as ***NRSAs***– a key aspect of creating choice across different areas of the city. Further, it would give more flexibility for the City to pursue housing development for households earning under 30% of ***AMI*** as well as those households earning above 120% of ***AMI***. In ***NRSAs***, 51% of the total number of housing units must be occupied by ***LMI*** households and federal funds can only be used to provide homeownership assistance to ***LMI*** households.

Additionally, regulatory requirements can lessen the administrative burden related to job creation, job retention, and economic development activities within ***NRSAs***. If, as part of the ***NRSA*** designation, the area's job creation and retention efforts are classified as meeting the ***LMI*** area benefit national objective requirements, businesses receiving related assistance do not have to track the income of newly hired employees to demonstrate community benefit. The reduced administrative burden serves as an added incentive for businesses to participate in job creation and retention programs. Economic development activities in the ***NRSA*** may be excluded from the aggregate public benefit standards, though projects are still subject to individual and project benefit standards. These reduced restrictions and reporting requirements allow for broader use of ***CDBG*** funds to build community wealth, which in turn supports home values and comprehensive housing goals.

The City should consult with community stakeholders as part of this process and, in alignment with the recommendations in this report, those stakeholders should include partners interested in forming a neighborhood investment fund, as well as representation from the reparations study committee, the Climate Justice Plan co-authors, and the Racial and Environmental Justice Committee. Any investment area(s) identified would need to be contiguous, residential, and as mentioned above, comprised of a high percentage of ***low- to moderate-income households***.

The conversation to explore targeted investment in housing development within one or more neighborhoods is an important exercise. Even if the City opts to hold off on pursuing an ***NRSA*** designation, likely partners may still find common ground in deciding to focus their investments

[42] A project may be eligible to receive ***CDBG*** funding if it meets one of three ***national objective criteria*** established by ***HUD. CDBG*** funds may potentially be used for multiple housing projects within an ***NRSA*** if collectively the projects meet the requirements specified under the first of the three criteria, which is "benefit to low- and moderate-income persons."

in certain areas. Focusing housing investment in a distinct neighborhood is a strategy that reduces risk and improves outcomes for community members, as job creation and economic development activities can readily coordinate where they target investment and outreach. The result of concentrating community development is an amplified, collective, and sustained impact on quality of life.

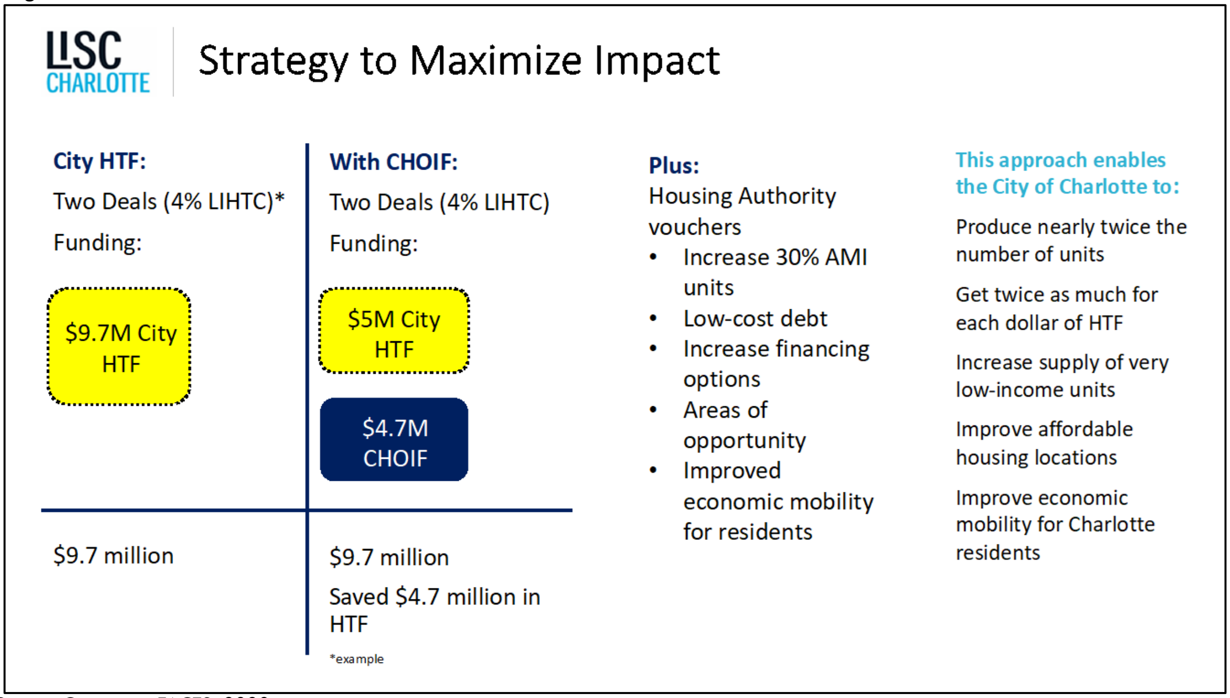
Aggregating capital into a long-term fund supported by diverse partners

Further broadening the investment pool by leveraging City capital through partnerships can have an even greater multiplier effect and more impactful community benefit. **Providence should use the $3 million available to attract resources from a broader pool of partners: *CDFIs*, banks, hospitals, employers, energy efficiency and heating assistance programs, real estate developers, and other stakeholders with a role or interest in the *affordable housing* service delivery system. The greatly expanded capital pool would more effectively drive development of comprehensive and dignified housing, economic development, and quality of life improvements, especially for people who have historically faced discrimination and exclusion.**

As a recent example, in Charlotte, North Carolina, 11 funders, six government agencies, and two community organizations came together to create a $200 million Housing Opportunity Investment Fund (Figure 8). Among America's 50 largest cities, Charlotte ranked 50th in terms of residents' potential for economic mobility. With many Charlotte residents severely ***cost-burdened*** and struggling to find ***affordable housing*** in areas of opportunity, these partners mobilized around an immediate action to produce more mixed-income housing for ***low- to moderate-income*** households as a critical first step to improving economic mobility. Collectively, the partners are financing 1,500 units to house families with a range of incomes in areas of opportunity, thereby upending a key structural barrier to health equity, in which the factors that determine people's health are predicated on where they live. The example below (Figure 8) is one of a leveraged, ***low-cost capital*** investment model in which partnerships enabled the city to maximize its impact with two deals by accessing the Charlotte Housing Opportunity Investment Fund (CHOIF) instead of relying solely on its Housing Trust Fund (HTF).

In another emerging example from the Bay Area (distinct from the partnership mentioned previously), regional partners have co-created the Partnership for the Bay's Future to protect the homes of 175,000 households over the next five years and preserve and produce more than 8,000 homes in the next five to ten years. Several foundations, a national ***CDFI*** (the Local Initiatives Support Coalition), and three large private corporations (Kaiser Permanente, Genentech, and Facebook) launched the partnership and have received funding from Morgan Stanley. The new and unique cross-sector initiative highlights that the private and philanthropic sectors are more deeply engaging in societal challenges, and such nontraditional partners should be tapped and encouraged to collectively work to meaningfully address long-term, regional housing challenges.

Figure 8



Source: Corporate FACTS, 2020

Considerations

To pursue the co-creation of a large fund supported by multiple partners, the City should bring together leaders from the City of Providence's Climate Justice Plan team, the newly forming reparations study committee, and other cross-cutting initiatives.

In proposing and implementing ***low-cost capital*** strategies, the City must allocate sufficient staffing capacity to successfully administer any programs and maintain full compliance with federal regulations. **The City should increase staff capacity internally and engage an experienced financial intermediary or lending partner, such as Local Initiatives Support Corporation (LISC), Enterprise Community Partners, or a local *CDFI* as it is more likely that private investors prefer to invest through an intermediary rather directly with the City.**

The City should also consider options to facilitate coordination and communication among City departments and initiatives to ensure new partnerships and funding of *affordable housing* development align and integrate with current activities, plans, policies and regulations and improve the service delivery system— an important step toward establishing new partnerships with external parties. One option to work toward integrated communication is the creation of an informal task force, to coordinate engagement by City peers in ***affordable housing*** development partnership activities. Another option is a communications channel or regular participatory information exchange where requests for support and cooperation keep relevant internal stakeholders involved and informed. A third option would be to assign a program coordination and communication role internally to an individual or small team.

Lending expertise and facility with finance should be requirements for at least a few decision makers on the team pursuing the design and implementation of these strategies. We recommend that the City develop additional capacity internally as well as engaging multiple individuals from outside organizations who possess expertise in finance and lending throughout program design and implementation.

In addition to increasing the amount and availability of *low-cost capital*, the City should explore additional incentives to developers, including accelerated approval timelines, priority project review, flexibility, and compromise on project specifications, and streamlining of other regulatory requirements.

Employing effective investment models to finance home repair and rehabilitation

The data analysis concluded that the City's aging housing stock, especially in low-income neighborhoods, needs rehabilitation, safety mitigation, and modernization. The need for home repair resources far exceeds currently available resources. The City of Providence currently invests about $700,000 annually to fund owner-occupied home repairs ($400,000) and vacant housing rehabilitation ($300,000). The City's owner-occupied home repair program is a deferred loan payable upon sale. Once funding is secured, the opportunity exists to streamline home repair efforts with proposed housing programs similar to those currently coordinated through the Lead Safe Providence Program. Most, if not all, of these programs are grant based or deferred until time of sale, which offers limited opportunities for leverage or economies of scale.

The City has similar challenges with the owner-occupied housing stock as small, rental properties. Landlords are plagued with aging structures and lack of access to capital to make needed repairs. The City has a code enforcement program, but without resources to make improvements, landlords are left with limited options to address code violations and citations.

The City should expand the amount of resources available and create more efficient ways to deploy home repair dollars by partnering with other agencies to pool resources and improve the coordination and delivery of home repair services. To achieve this, the City should continue to invite providers of various types of home repair and related resources— such as the Community Action Partnership of Providence, Rhode Island *LIHEAP*, and other grant-funded programs offered by community-based organizations— to improve coordination of their outreach, assessment, and repair or upgrade activities for low- and moderate-income households and to engage early in planning for new *affordable housing* project consideration.

Structuring and inviting additional investment in home repair

The City should continue its existing Home Repair program, modifying its deferred loan structure to become an amortized arrangement, and create a similar program to provide low-interest loans to landlords for home repairs at tenant-occupied properties.

The current Home Repair program defers repayment of loans until a property owner realizes the value of the repairs through a sale. **The City should modify the current deferred home repair loan program to instead structure it as a zero-interest amortizing loan program, which will allow the City to leverage these resources more rapidly.** This modification will expand the pool of capital that can support further home repairs (and indirectly contribute to rising neighborhood home values as well). Other programs that have converted from home repair grants or deferred loans to repayable loans have proven to have similar demand levels and higher productivity while still serving very-low, low, and moderate-income level households.

In creating a similar program for landlords, code enforcement can be used as the proverbial stick and the low-interest loans as the carrot for landlords to make the necessary investments in repairs. **The City should, in line with its renewed commitment to code enforcement and issuance of citations, offer landlords low-interest loans to help them address citations. The City should establish a pool of capital for landlords in the form of revolving loan funds.**

The City should routinely convene stakeholders to improve the service delivery system and increase capital available to support home repair and rehabilitation. The City should bring together area home repair agencies with the intention to explore potential partnerships with the City, and create collaborative goals to evaluate opportunities to reduce service delivery costs and increase utilization of programs by lower income families.

Additionally, as part of formal and informal exploratory conversations with public, nonprofit, and private partners, **the City should propose the creation of a dedicated public-private partnership investment combining *CDBG*, HOME, and Housing Trust Bond funds with philanthropic grants and private capital to reduce interest rates, create loan loss reserves, and pay for activity delivery costs. The City should convene likely partners to develop a shared value proposition. Pending the commitments of these partners to contributing their expertise to address a shared goal, the City should spur the creation of a new *affordable housing* fund. Depending on the organizations involved, the fund may support a focused partnership, or mobilize a broader coalition to support a wider range of financing activities (as mentioned above) to comprehensively address the mismatch between housing supply and demand. One opportunity the City should work with partners to consider during these conversations includes the following strategic steps:**

- **Identify deteriorating properties in need of rehabilitation;**

- **Position a partner such as a *Community Development Corporation (CDC)*[43] to buy the units and coordinate with landlords, employers, and interested agencies and existing programs on implementation; and**
- **Devote bank-supplied *Community Reinvestment Act (CRA)*[44] funding to keep units affordable over time.**

Table 3 shows the financial structure of a home repair program, with specific earmarks dedicated to owner-occupied and small rental properties.

Table 3
Home Repair Program Example
Low-Cost Capital Funding Leverage Model

	Owner Occupied Home Repair		Small Rental Home Repair	
Source of Capital				
CDBG or Bond Funds	$400,000	19%	$500,000	13%
Healthy Homes or Lead Abatement	$200,000	10%	$0	0%
Foundation Patient Capital	$0	0%	$1,500,000	40%
Private Loan Capital (3% Interest)	$1,000,000	48%	$1,500,000	40%
Private Crant Capital	$500,000	24%	$250,000	7%
Total Resources	$2,100,000	100%	$3,750,000	100%
Use of Capital				
Loan Capital	$1,400,000	0% Interest Rate	$2,500,000	3% Interest Rate
Interest Rate Subsidy	$200,000		$400,000	
Program Administration	$500,000		$350,000	
Total	$2,100,000		$3,250,000	
Loan Structure				
Average Loan Amount	$20,000		$20,000	
Interest Rate	0.0%		3.0%	
Term (In Years)	10		10	
Average Loans Produced	70		125	
Loan Repayment Structure				
Private Capital or Section 108	$700,000	Years 1-5	$1,500,000	Years 1-7
Government or Grant Funds [1]	$700,000	Years 6-10	$1,500,000	Years 3-10
Less Loan Defaults	$56,000		$100,000	
Amount Available to Revolve	$644,000		$1,400,000	Plus Interest

Source: CFACTS, 2020
[1] In 5-7 years, the government funds are generated through loan repayments
There are many variations of the model
Loans can be structured with flexible credit terms

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43 ***Community Development Corporations (CDCs)*** are not-for-profit organizations that provide programs, services, and activities that promote and support community development in specific locations or areas. ***CDCs*** in Providence include organizations such as ONE Neighborhood Builders, the Smith Hill Community Development Corporation, and Stop Wasting Abandoned Properties (SWAP).

44 The ***Community Reinvestment Act (CRA)*** is a federal law passed in 1977 that requires financial institutions to meet the credit needs of low- and moderate-income neighborhoods, especially neighborhoods subjected previously to exclusionary banking practices (such as ***redlining***).

2. Summary of Actions

The City should:

- Engage with decision-makers to deepen its understanding of the need, complexity, and opportunity of public-private partnerships to fund housing programs;
- Engage with likely nonprofit and private sector implementation and funding partners to improve the effectiveness of the community development service delivery system;
- Convene decision-level leadership of likely partners such as executive officers of banks, credit unions, and hospitals– to learn about best practices in community development partnerships in cities around the country;
- Re-convene interested parties to develop a shared value proposition, assess innovative financing solutions, and increase financial, land asset, and administrative contributions to new funding strategies;
- Formalize new public-private partnerships to accelerate quality ***affordable housing*** development and promote access, equity, and justice— especially for the City's most vulnerable community members; and,
- Engage with homeowners and small landlord stakeholders to iterate on home repair programming that meets their needs.

3. Recommendations for Implementation of the Actions

Providence should accelerate production of *affordable housing* across the city and improve residents' quality of life in low-income communities by broadening the investment table. Private corporations are motivated to invest in communities for ***market-rate*** returns for two reasons: to comply with government-mandated requirements and to achieve their social missions. What follows are recommendations for, and considerations regarding, implementation of the five action-oriented goals recommended to fund ***affordable housing*** development.

Bring together City and government agency thought leaders and decision makers to arrive at a shared understanding of stakeholder motivations and innovations in public-private partnership strategies. This is a critical first step toward collaborating and co-investing with private and philanthropic sectors. Considerations and next steps include:

- Provide stakeholders with an overview of the ***CRA*** and local activities of banks that invest in low-income communities to meet their CRA requirements.
- Provide stakeholders with an overview of community benefit spending requirements mandated for hospitals. Some hospitals have begun to think holistically and are investing in a growing number of initiatives (including ***affordable housing*** development) to address social determinants of health within and outside of the healthcare system.

- Set up meetings with ***CDFI*** representatives to learn about their available capital and current goals and strategies. ***CDFIs*** are often the vehicle used to create co-investment models and may bring their own investment capital to the table or help to convene government and private sector investors and oversee administration of funds.
- Provide case studies of private corporations partnering with communities. As employers, they have a vested interest in making sure communities are livable to attract workers, and as property owners they want to protect their own real estate investments.
- Host round table conversations with local foundations and philanthropic interests seeking to leverage their grant resources with government and private investments. Philanthropy aims to stretch their limited dollars much further and achieve greater impact, increasingly through partnerships and collaborations. Their resources are often the most flexible capital available.
- Provide stakeholders with an overview of strategies available to leverage city capital.

Explore focused partnership possibilities with banks, hospitals, *CDFIs* and community-based development organizations. Each partnership presents an opportunity to strengthen coordination, make efficient use of resources, and improve the overall service delivery system. Considerations and next steps include:

- *Work to attract resources to enhance the work of existing partners.* Support the strategic growth plan of organizations such as ONE Neighborhood Builders, which includes: launch of the Building Health Fund in coordination with healthcare partners; reinvigoration and formalization of a ***community land trust***[45]; capacity building and community engagement to directly address health disparities; and innovation in climate-sustainable ***affordable housing***.
- *Put forward a champion to engage high-level leadership from across sectors to support innovative housing development on a broader scale.* Enlist the Mayor to issue a back-channel call to action to business, philanthropic, and civic leaders around collectively funding housing and community development. The first phase of the call to action would be joining a roundtable for educational purposes and getting on the same page about the incentives and potential outcomes of a collaborative multi-sector approach to funding community development. In the second phase, decisionmakers would reconvene to explore how to form a joint effort and collaborative fund in Providence, and champions would step forward to publicly issue an announcement and joint call to action.
- *Get on the same page with leaders outside government.* Convene these decisionmakers— from banks, hospitals, educational institutions, and large employers

[45] ***Community land trusts*** are nonprofit organizations that help ensure long-term housing affordability by owning land and entering into long-term leases with homeowners. https://community-wealth.org/strategies/panel/clts/index.html

following the community development state-of-practice education of City agency stakeholders. Host a presentation and Q&A of best practice approaches being pursued around the country to strengthen cities and neighborhoods through collaborative funding and development.

- *Actively participate in, support, and champion the work of active convening initiatives around housing.* Support and amplify the Homes RI Initiative, a coalition of organizations (non-profit service providers, advocacy organizations, trade organizations, government, and more) committed to a collective policy agenda aimed at increasing the supply of safe, healthy, and affordable homes in Rhode Island.
- *Engage stakeholders that could make housing development more robust – organizations that bring other resources and amenities to neighborhoods targeted for new development.* Reach out to ***CDFIs*** serving the New England region, such as Cooperative Fund of New England and Local Enterprise Assistance Fund, whose involvement would promote access, equity, and justice connected to quality ***affordable housing*** development through funding to support cooperatively-owned housing, food, and businesses.

Convene public, private, philanthropic, and community stakeholders to create a shared value proposition to collectively address the housing supply gap. By working creatively with available financial tools and incentives more readily accessible through strategic partnerships, the City can serve a much larger segment of the population, including very low-income persons. Considerations and next steps include:

- Bring together representatives from departments, agencies, and organizations seeking to: ensure dignified housing and end displacement; advance racial and environmental justice; build wealth; promote place-based public health equity; support access to healthcare, transportation, recreation and living wage jobs; understand the mechanisms behind social determinants of health; achieve renewable energy and energy efficiency targets; and prepare for and respond to extreme weather events and natural disasters.
- Share data, identify community needs, and analyze opportunities to address the housing supply gap that align with partners' goals and interests. For example, a hospital may be interested in working on an ***affordable housing*** development that addresses lead abatement; an employer may have a vested interest in ensuring the neighborhood where their office is located is safe and provides ***affordable housing*** to their workers; and a ***CDFI*** may want to ensure healthy food access in proximity to low-income residents.
- Focus the City's role and activities on creating conditions for change through policy and market incentives, aggregating and deploying resources, and improving quality of life for people, while partners contribute complementary financial, programmatic, and administrative support.

- Convene leaders from across sectors for follow-on conversations to build momentum for a community-wide mobilization. Invite decisionmakers from banks, hospitals, educational institutions, and large employers to evaluate how some of the previous examples of community development best practices could work in Providence. Develop a shared goal that aligns with the interests of the parties assembled and co-create a proposal to collectively work toward achieving the goal. Tee up a conversation for leveraging City funds to aggregate a pool of capital as a fund to ensure that resources exist to advance the stated goals, as referenced earlier in examples from Toledo, Ohio Charlotte, North Carolina, and the Bay Area. Invite CEOs of major corporations and leaders of other prominent local institutions to partner with the Mayor on a public, community-wide call to action to support the reparations study and solve major community development challenges related to access, equity, and justice. Leaders may ultimately commit to actions that support the expansion of housing options for low- and moderate-income housing in high opportunity neighborhoods or increase homeownership for low-income households.
- Collectively assess and design innovative policy incentives and financing tools. Policy incentives could support land acquisition and the development of ***naturally occurring affordable housing*** and establish a standard ***Community Benefit Agreement*** for developers. Innovative financing can include credit enhancements, redeploying City subsidies to lower developers' cost of borrowing capital and establishing target investment areas through ***HUD***'s ***NRSA*** tool.

Establish formal relationships with external partners, based on the exploratory conversations. Partnerships could range from a direct relationship with one major institution to a broad collaboration with several entities working to solve a major problem in the city through funding and policy activities. Considerations and next steps include:

- Design an ***affordable housing*** fund composed of pooled resources and supported by updated City policies.
- Expand thinking to include new sources and structures of funding and issue a broad invitation to participate in finding creative solutions. To reach the current and projected production goals discussed in this report, the City may need to aggregate a pool of capital up to 50 times greater than its current $3 million allocation.
- Formalize partnerships and roles (such as resource commitments, fund administration, and timelines.

IMPLEMENTATION STRATEGY

The Anti-Displacement and Comprehensive Housing Strategy is intended to guide the City's policy and decision making for the next ten years. In addition to the funding strategies identified earlier in this document, there are several recommended changes to existing programs and policies as well as recommendations for new programs and policies for City leadership to consider. The following narrative provides detail on those recommendations.

1. Existing City and *PRA* Programs

The greatest issue Providence faces regarding housing needs is not how to use its resources, but how to use existing resources more strategically and how to secure additional resources.

Before detailing how the City should rethink its approach to housing production and preservation, it is important to understand the efforts currently being undertaken. The City currently operates several programs that target housing issues and needs. These program resources oftentimes are invested in partnership with other statewide and local housing entities to provide greater impact to City residents. **A review of the City's existing housing programs reveals that the limited amount of available resources are being effectively directed to address the areas of greatest need. This includes home repair and home safety, construction of price-controlled housing, addressing vacant and abandoned homes, and making homeownership possible for *low- to moderate-income households.*** Below is a summary of existing programs:

- <u>Home Repair Program</u> – The City's home repair program is funded through its annual ***CDBG*** allocation. This program provides zero-interest loans for home repairs to income-eligible ***owner-occupants***[46] earning under 80% of ***AMI***.

[46] ***Owner-occupants*** are homeowners, meaning that they own the home they live in, although that may be a single-family home or another housing type such as a two- or three-family structure.

FY21 Budget: $300,000

- Down Payment and Closing Cost Assistance – The City offers down payment and closing cost assistance through its ***HOME*** funds to homebuyers based on their income and creditworthiness qualifications. The program is available for qualifying households earning less than 80% of ***AMI***.

  FY21 Budget: $325,000

- Lead Safe Providence Program – The Lead Safe Providence Program, funded through a competitive Lead Hazard Reduction Demonstration Grant from ***HUD***, offers lead-based paint inspections and forgivable loans for lead mitigation assistance to qualifying owner-occupied and investor-owned properties.

  FY21 Budget: $1,200,000

- Housing Trust – The ***PRA*** is tasked with housing acquisition and disposition, lending and financing, new construction, and rehabilitation efforts on behalf of the City. The recent City commitment of 10% of property tax payments from properties with a ***Tax Stabilization Agreement (TSA)*** will serve to better capitalize the PRA.

  FY20 Budget: $3,000,000

- EveryHome Initiative – The EveryHome Initiative implemented by Mayor Jorge Elorza utilizes a suite of tools, such as court-appointed receivers, to enable the rehabilitation of abandoned properties back into productive use.

  FY20 Budget: $300,000 in redevelopment subsidy

- Low Income Housing Tax Credits (LIHTC) – The LIHTC program is a dollar-for-dollar tax credit in the United States for ***affordable housing*** investments. It was created under the Tax Reform Act of 1986 (TRA86) and gives incentives for the utilization of private equity in the development of ***affordable housing*** aimed at low-income Americans. The LIHTC program is run at the state level through a competitive application process dictated by the Rhode Island Qualified Allocation plan. Awards within the City of Providence vary by year, based on the number of successful applicants.

  FY20 Awards (3 awards): $32,665,502[47]

- ***HUD*** Entitlement Programs – The City of Providence is an ***entitlement community*** with ***HUD***, receiving its own allocation of Federal housing funds including:
  - ***HOME Investment Partnerships Program (HOME)*** funds which are used for down payment and closing cost assistance, and new construction, rehabilitation, and preservation of ***income-controlled housing;***
  - ***Community Development Block Grant (CDBG)*** funds used to support the Home Repair and EveryHome Initiative programs;

[47] This accounts for awards made between July 1, 2019 and June 30, 2020. These results may not be typical year-over-year.

- ***Housing Opportunities for Persons with AIDS (HOPWA)*** funds invested in providing housing and supportive services for persons with AIDS/HIV;
- ***Emergency Solutions Grants (ESG)*** which provide housing assistance resources to help homeless persons with emergency housing, shelter, and essential services; and,
- A ***one-time disaster relief supplement*** of approximately $3.6 million in COVID-19 emergency response funds through the 2020 CARES Act to address housing impacts of the COVID-19 pandemic. (These funds are committed to rental assistance, legal and support services, additional supports to those living with HIV/AIDs. Approximately 90% was committed to supporting households at imminent risk of becoming homeless as a result of the economic shutdown associated with the pandemic.)

The City's existing programs target the same housing issues identified in the market analysis. The greatest issue Providence faces regarding housing needs is not how to use its resources, but how to use existing resources more strategically and how to secure additional resources. As noted earlier, housing needs in Providence dwarf existing resources. The Funding Strategies section of this document provides recommendations for the City to best leverage existing dollars and attract new dollars to address housing needs. The following narrative focuses on prioritizing how existing resources are used, as overextending these dollars will preclude the City from meeting any of its housing goals or comprehensively addressing any location-based challenges.

In short, the City should focus on results-based investments. City dollars should be applied to entities and projects that provide the greatest benefit, which must be defined and prioritized by the City's leadership.

2. Recommended Program Changes

The RKG Associates Team recommends the City consider changes to three of its existing programs: Home Repair program, Down Payment and Closing Cost Assistance program, and HOME development funds. These proposed changes do not materially change the intent of these programs, but rather offer opportunities to prioritize use of these funds and create a more consistent repayment process so the City can issue more of them.

PROGRAM CHANGES - HOME REPAIR

Establish a sliding scale of assistance and target neighborhood bonus.

HOW?

The City should create a sliding scale approach to the Home Repair program that scales the maximum amount an applicant can borrow based on their income and the location of their home. Similarly, the City should also consider prioritizing applicants and offering higher maximums in areas with low homeownership rates.

Priority:	HIGH
Timeline:	SHORT-TERM
Cost:	STAFF TIME
Impact:	MODERATE

For income qualification, households earning less than 50% of AMI should be able to access larger subsidies than households earning between 50% and 80% of AMI. For example, the maximum amount for households earning below 50% of ***AMI*** would be $25,000, while the maximum amount for those earning between 50% and 80% of ***AMI*** would be $15,000. An alternative to this approach would be to place a match requirement for households earning in the higher income group (such as a 1:10 match) to get access to the full $25,000 amount.

WHY?

The City's Home Repair program currently offers zero-interest loans of up to $25,000 for any ***owner-occupant*** that qualifies based on income and repairs to be completed. The amount offered is the same to all applicants that income-qualify (80% of ***AMI*** or below), even though higher income households (those earning closer to 80% of ***AMI***) typically have more resources to commit to maintaining their property.

Table 4
Housing Units by Tenure
Providence, RI Subareas

Subarea	Ownership Units	Rental Units	Home Ownership Rate
Greater Downtown/ Woonasquatucket	440	3,176	12.2%
Greater West Side	929	4,651	16.6%
Fox Point	307	1,249	19.7%
Olneyville/ Hartford	898	2,848	24.0%
Broad Street/ Elmwood Avenue	2,510	7,791	24.4%
CITY OF PROVIDENCE	**21,503**	**40,554**	**34.7%**
Greater Northwest	5,330	9,971	34.8%
Silver Lake	1,290	2,171	37.3%
Greater East Side	5,160	5,242	49.6%
Greater Roger Williams Park	2,031	1,995	50.4%
Elmhurst/ Mount Pleasant	2,608	1,460	64.1%

Source: U.S. Census and RKG Associates, 2020

These changes will ensure assistance is concentrated for households with the greatest need and potentially increase the number of loans that can be offered.

The average homeownership rate in Providence is 34.7% (Table 4); however, several areas of the City (Downtown, the Woonasquatucket Corridor, the West End, Federal Hill, and Fox Point) have ownership rates below 20%. Prioritizing these neighborhoods and offering a higher maximum loan amount (potentially 20% above the standard amount) will help stabilize neighborhoods and promote existing renters to become homeowners in their current neighborhoods. Ultimately, the sliding scale concept focuses home repair investments to homeowners and communities with the greatest need. By scaling benefits based on income, it offers the potential to provide more loans and greater benefits in neighborhoods with low homeownership.

PROGRAM CHANGES - HOME REPAIR

Change the repayment time frame for home repair loans.

HOW?

Priority:	MODERATE
Timeline:	SHORT-TERM
Cost:	STAFF TIME
Impact:	MODERATE

The City should consider implementing a repayment requirement for home repair applicants with incomes above 50% of AMI, creating a ten-year repayment schedule. Applicants would repay the principal balance during this time period in monthly installments, rather than having to repay in full upon a refinancing, equity draw, or sale of the property. **The City should focus monthly repayments on higher income applicants to ease monthly *cost-burdens*. The City should also consider engaging in a partnership with a financial institution or local *CDFI* if they seek monthly payments.** The implementation of this strategy will require a financial partner that provides a matching investment greater than the likely cost for that entity to administer the program on the City's behalf to account for needs such as staffing, loan tracking, and legal support.

WHY?

The City's existing home repair program offers a deferred payment loan that must be repaid at the time of a refinancing, equity draw, or sale of the property. While this eases ***cost-burdens*** for homeowners, it substantially slows down the revolving nature of this money that can be used to support new applicants.

Other cities (such as Detroit's 0% Program) use the same zero-interest approach but require some monthly repayments from borrowers at all income levels. In communities that require repayment, the program is typically run through a financial partner that oversees management and collection of the repayments. This avoids politicization of hardship cases while also bringing additional resources from the financial partner to the program.

PROGRAM CHANGES - HOME REPAIR

Consider establishing higher income thresholds to increase homeownership rates in certain neighborhoods.

HOW?

Priority:	LOW
Timeline:	LONG TERM
Cost:	$10,000 to $20,000 per loan
Impact:	HIGH

If a financial partner or lending consortium strategy is viable (as detailed in the Funding Sources section), **the City should consider using non-Federal resources to target incomes between 80% to 100% of *AMI* in certain conditions. Households in this income bracket (who already rent or own in the target neighborhood) should be made eligible in their existing neighborhood if it is a neighborhood with a low homeownership rate**. Limiting this to households who already live in the existing neighborhood for which the loan is sought will eliminate the possibility of these funds fueling displacement.

WHY?

Because the City's home repair program is funded through ***CDBG*** dollars, the City is required to cap income eligibility at 80% of ***AMI***. However, rehabilitation costs are often cost-prohibitive for households earning between 80-100% of ***AMI*** as well and may serve as a barrier to sustainable homeownership for this income group. Similar to the sliding scale recommendations, encouraging greater homeownership in these communities, particularly for renter households already living in target neighborhoods who want to become owners and stay in their neighborhood, can further stabilize these communities and offer wealth building to those who may not have that option elsewhere in Providence.

PROGRAM CHANGES - DOWN PAYMENT AND CLOSING COST ASSISTANCE

Modify the City's benefit formula.

HOW?

Priority:	HIGH
Timeline:	SHORT-TERM
Cost:	STAFF TIME
Impact:	MODERATE

The City should consider modifying its existing program to follow a program like the City of Boston's One+Boston program, that requires applicants to provide a portion of down payment while the City provides the rest through a deferred loan. The City should consider requiring applicants to pay 1% of down payment costs, with the City providing the remaining 2% to 4% (based on unit type) as well as a fixed amount of up to $7,500 for closing costs. An alternative to this approach would be to require a lower match requirement for households under 70% of ***AMI*** (such as 0.5% of the down payment) and a slightly higher amount for higher income households (such as 1.5% of the down payment).

WHY?

The current down payment and closing cost assistance program formula limits the maximum deferred forgivable loan amount to $20,000 for households at or below 70% of ***AMI*** and $10,000 for households earning between 70% and 80% of ***AMI***. However, it does not establish a maximum that these households are required to provide or set requirements for level of savings set aside for future maintenance. The One+Boston program allows qualifying households to cap their required up-front investment and use any additional savings to address maintenance/repair issues and/or continue to build wealth through savings. By adjusting limits to income thresholds, the City can better serve applicants based on their ***ability to pay*** while making the program more attractive to households by making up-front costs more known. Additionally, moving to a deferred payment loan will foster revolving repayment and relending.

PROGRAM CHANGES - DOWN PAYMENT AND CLOSING COST ASSISTANCE

Establish an interest rate buydown for existing Providence renters.

HOW?

The City should provide existing Providence renters with the opportunity to become homeowners through a locally funded interest rate buy down program to be used in concert with the existing program.

Priority:	HIGH
Timeline:	MID-TERM
Cost:	$5,000 to $10,000 per loan
Impact:	MODERATE

WHY?

Simply put, the City would pay for discount points to lower applicants' interest rates in their Down Payment and Closing Cost program. The program should be open to current Providence residents that are first-time homebuyers and have lived in the City for at least one year as renters and would offer applicants opportunities to afford more expensive homes for the same monthly payment. The City could recoup the cost by making it a deferred loan or a long-term forgivable loan based on how long the buyer remains in the house.

PROGRAM CHANGES - DOWN PAYMENT AND CLOSING COST ASSISTANCE

Establish a target neighborhood bonus program.

HOW?

Priority:	HIGH
Timeline:	LONG TERM
Cost:	$5,000 to $30,000 per loan
Impact:	MODERATE

Similar to the Home Repair recommendation, the City should consider providing priority to applicants seeking to become homeowners in areas with lower homeownership rates and those buying in targeted areas that are historically out of reach.

The City should consider lowering down payment percentage requirements and increasing the maximum allowed benefits to target areas with strong amenities, thereby encouraging low- and moderate-income households to live in areas with low-cost accessible transportation and easy access to jobs, schools, and support services.

WHY?

Targeting areas of Providence with few homeownership opportunities for low-income and moderate-income households addresses the primary issue with housing access and equity: costs in these areas are typically much higher, requiring greater subsidies to make homeownership affordable and attainable.

Additionally, offering financial incentives for homeownership in areas with low homeownership rates can help to stabilize these areas. Providing a financial incentive for households to remain in their existing neighborhoods helps minimize displacement.

PROGRAM CHANGES

Enhance and expand the City's current decision matrix to prioritize investments.

HOW?

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	HIGH

The City should expand and enhance its existing decision-making matrix for investment of all funding programs that focuses on greatest impact based on the City's defined housing priorities. The revised decision matrix will better guide which projects will be funded each year and include quantifiable criteria that can be scored and weighted to reflect the City's ***affordable housing*** priorities. Requests for proposals from the City detail these scoring priorities to ensure all applicants are aware of the City's needs and can respond accordingly.

It is recommended that all funding programs adopt the following universal decision-making criteria:

- *Target household income to be served* – Lower income levels (such as 30% of ***AMI***) should be scored higher than projects serving higher income levels.
- Willingness to prioritize current long-term residents when filling new units – New development can often displace or be out of reach to existing residents. Developers that commit to making new units available first to residents who have lived in the surrounding neighborhood should be scored higher.
- *Percentage of **income-controlled** units* – In addition to the depth of subsidy, the number of ***income-controlled*** units to be provided should be considered, with higher ratios (such as 25% affordable units to 75% ***market-rate***) scoring higher than lower ratios (such as 10% affordable units).
- *Neighborhood diversity* – Providing lower income households access to areas with few ***income-controlled*** or price appropriate affordable units should be considered. Neighborhoods with little existing choice should score higher than areas with high concentrations of ***income-controlled*** housing in order to encourage equitable access to all neighborhoods for low-income households.
- *Neighborhood amenities* – Similar to diversity, areas with strong access to services and amenities that will support low- and moderate-income households and reduce their financial burden should score higher than areas with poor connectivity and services. Specific criteria should include:
    - Sites proximate to basic goods retailers and community services
    - Sites with strong, ***low-cost transportation*** connectivity
    - Sites proximate to job centers

- *Creditworthiness of the applicant* – The history and capability of the applicant should be considered. Applicants with strong track records, particularly in Providence, should score higher than ones with little history or previous deficiencies in delivering on a project.
- *Leverage ratio of public dollars* – Projects that require fewer public dollars to meet the proposed ***affordability*** should score higher than similar projects with the same outcomes. This criterion needs to be measured against the depth of ***affordability*** and number of affordable units to be comparable between projects.
- *Meeting special housing needs* – Projects that address special housing needs (such as units serving those with HIV/AIDS those with physical disabilities, persons experiencing homelessness, or whom have other supportive housing needs) should receive bonus points in the scoring.
- *Programs targeting at-risk populations* – Projects that provide specific and articulated solutions to increasing accessibility and those that define inclusive and affirmative marketing strategies to serve all populations, especially those underserved in Providence such as people experiencing homelessness, individuals with criminal records, etc. should receive scoring prioritization.

WHY?

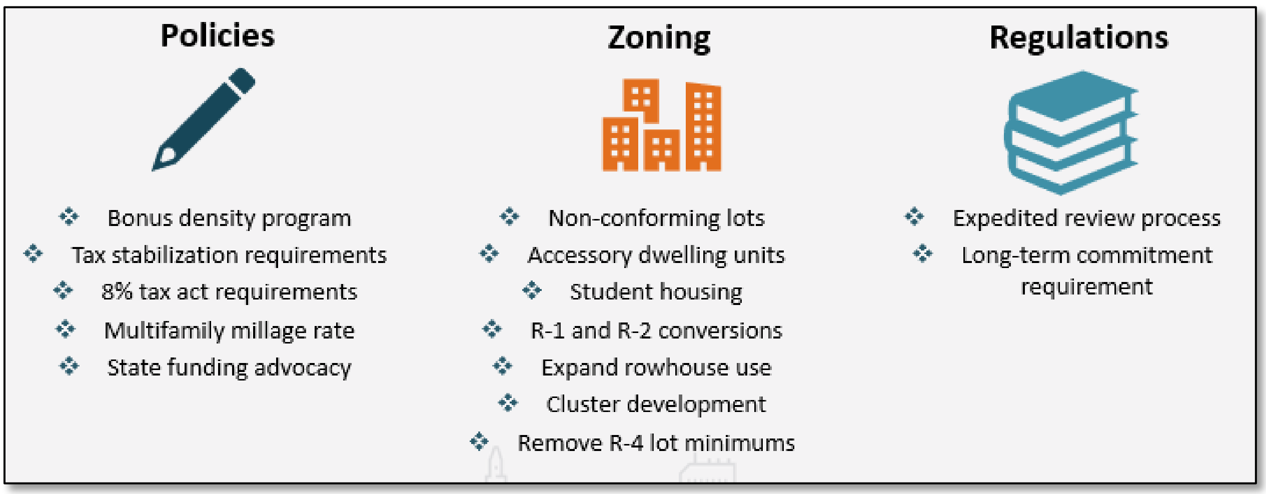
The ***HOME*** program offers federal money to communities to promote ***income-controlled*** new construction, preservation, or rehabilitation projects. As mentioned earlier in this document, the City of Providence has used $2.6 million to develop 33 new ***income-controlled*** housing units since 2015. The City has an application, vetting, and scoring process that requires potential partners to provide project details to ensure HOME funds are used in accordance with ***HUD*** requirements and to meet local housing need.

This study recommends additional criteria that should added into the City's scoring system, and modifications to existing criteria, to ensure that the maximum number of priorities can be met with the City's limited resources.

Additionally, as the City expands its resources and programs to foster affordable housing, deployment and adoption of a universal matrix will enable the City to transparently and consistently measure applications on an 'apples to apples' basis to determine how to best deploy its financial resources across all programs. This shift from current practice could cause disruption from some applicants; however, the City's focus should be developing a solution that makes the process more transparent and predictable for applicants. This new approach may require some existing partners to adjust to remain competitive and gain access to the City funds. This process also allows the City to adjust scoring as priorities change. The criteria, scoring system thresholds, and weighting of each criteria can be adjusted to reflect the City's evolving housing priorities as markets and needs change.

3. Recommended Policy Changes

In addition to housing programs, the City of Providence has several policies that directly and indirectly impact housing development and housing ***affordability***. These include current incentive programs, the City's ***Zoning Ordinance***, and development and entitlement processes. The RKG Associates Team has identified several strategies for the City to consider that will increase housing production, reduce housing costs, and create opportunities to maintain a larger ***income-controlled*** housing supply.



POLICY CHANGES

Implement performance requirements related to provision of affordable units for long-term *Tax Stabilization Agreements (TSAs)*.

HOW?

The City should consider implementing performance requirements for developers to obtain longer tax stabilization terms, such as requiring at least 10% of rental units be priced at 50% of AMI or at least 10% of ownership units be priced at 80% of AMI to gain a 13- or 15-year stabilization (above the standard ten-year period).

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	HIGH

WHY?

The City's current ***Tax Stabilization Agreement (TSA)*** program offers developers scaled tax relief based on the size and type of investment. The City uses tax stabilization liberally for new development, which has created artificial price/cost relationships that are challenging to sustain without the incentive while reducing the City's financial resources that would be created by new real property tax revenue. However, there is no set criteria for receiving the TSA benefit, or what performance measures must be met to gain a longer-term TSA benefit.

To reach a higher percentage set-aside of ***income-controlled*** units OR to reach a lower target ***AMI*** threshold, the City may need to consider stacking incentive with the TSA benefit program. For example, using a combination of HOME funds, the TSA program, and one of the proposed new funding public-private partnership arrangements (detailed in the Funding Section of this report) to make the requirement financially feasible.

POLICY CHANGES

Implement a sliding scale to qualify developers for the *8% Tax Act*.

HOW?

At a base level, the City should consider a sliding scale that qualifies developments for the 8% Tax Act threshold based on the income target and number of units committed to *affordability*.

Finally, the City should also consider a minimum commitment period of 15 years to access the incentive to ensure long-term *affordability*.

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	MODERATE

WHY?

The City offers developments that provide ***income-controlled*** rental units access to the ***8% Tax Act***[48]. However, the City's taxation ordinance does not prescribe qualifications for that tax benefit. Creating specific target goals will ensure the tool will be used evenly across the City.

This sliding scale would require fewer units if the commitment were to serve low-income households. For example, a developer would have to commit 5% of the units at a 30% of ***AMI*** income threshold, a 7.5% commitment for 50% of ***AMI*** threshold, a 10% commitment for 80% of ***AMI*** threshold, and so forth. At minimum, at least half of the ***income-controlled*** units should be required to target households at or below 80% of ***AMI***.

Location-based incentives will help incentivize a better diversity of housing in neighborhoods that have low amounts of market rate units.

[48] The ***8% Tax Act*** is a State of Rhode Island property tax law that limits property taxes to 8% of a property's gross rental income on housing that is deed restricted as affordable to income-eligible households.

POLICY CHANGES

Study the feasibility of creating a new tax rate for multifamily properties.

HOW?

The City should consider a long-term strategy to ease financial burdens on property owners to accommodate lower price points and a long-term commitment of *income-controlled* units through a third-tier tax rate between the existing residential and commercial rate for larger (five or more unit) multifamily rental properties.

Priority:	LOW
Timeline:	LONG TERM
Cost:	$50,000 (est.)
Impact:	HIGH

WHY?

Providence has a residential tax rate for owner occupied structures with up to four units and a commercial tax rate for multifamily housing (five or more units) and commercial properties. The City's 2019 commercial tax rate ($36.70 per $1,000 of value) is approximately two and a half times higher than the effective residential tax rate of $14.74 after the 40% ***homestead exemption***[49] on the full rate of $24.56 per $1,000 for owner-occupied units. Anecdotally, operating costs for multifamily properties can exceed 40% of gross rental income. This creates challenges to provide and maintain ***affordability***.

The lower tax rate would alleviate some pressure on new construction and the rehabilitation of rental housing by reducing the tax burden; however, it also could create financial strain on the City's overall budget, reducing net real property tax revenue. Greater study is needed to determine the potential to accommodate this change without adversely impacting the City's ability to support its other operations and efforts.

[49] The ***homestead exemption*** is a real property tax exemption for households that own and occupy their primary resident in the City. The owner must show proof of occupancy to gain ***homestead exemption*** status.

POLICY CHANGES

Advocate for greater State funding for *affordable housing*.

HOW?

The City should collaborate with other Rhode Island municipalities to advocate directly with the State Legislature for a yearly line item in the State budget to address *affordable housing* needs.

Priority:	MODERATE
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	HIGH

WHY?

In 2016, the State of Rhode Island approved a $50 million Housing Opportunity Bond (the third housing statewide bond approved since 2006). These funds were used to develop more than 1,100 affordable homes. Securing additional state funding would get Rhode Island closer to its neighbors in terms of ***affordable housing*** investment and offer additional resources to the City to address its ***affordable housing*** needs. Further, State investment will ensure municipalities throughout Rhode Island are contributing to the development and preservation of ***price-appropriate*** housing and necessary support services.

ZONING CHANGES

Activate small lots with affordable infill housing.

HOW?

The City should eliminate the merger provision that joins small lots owned by the same entity and create a series of pre-approved architectural designs that developers and property owners can use to build *affordable housing* on small lots.

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	MODERATE

WHY?

There are many lots throughout Providence that do not conform to the City's existing minimum lot size requirements as detailed in the ***Zoning Ordinance*** due to their small size or insufficient setback areas. Currently, these lots are generally undevelopable and the City has a merger provision that automatically joins them to adjacent lots if owned by the same owner. Small (or substandard) lots provide opportunities for the City to promote infill development and provide additional ***affordable housing***.

Pre-approved designs would ensure new housing is constructed in a way that complements the surrounding neighborhood in exchange for waiving lot size and setback requirements. This would also reduce developers' design and entitlement costs by eliminating a portion of the review process. Not all lots will be developable, even with pre-approved designs; however, many will be buildable, infilling existing neighborhoods and offering new housing options to the community. The City should consider both single-family and multifamily designs to accommodate the unique situation of each property based on location and existing zoning.

ZONING CHANGES

Improve Accessory Dwelling Unit (ADU) regulations.

HOW?

The City should modify the *Zoning Ordinance* to expand allowances for *accessory dwelling units (ADU)*[50] with the following provisions:

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	MODERATE

- *Maximum accessory dwelling unit size* – The maximum size of an ADU should be 400 square feet or no more than 30% of total building square footage, whichever is less.
- *Allow exterior accessory dwelling units* – While many ADUs are created by subdividing an existing structure, ADUs can also be located in attached (with exterior ingress and egress) or detached structures (such as detached garages). The City should allow exterior ADUs if they meet existing zoning setback requirements, although existing exterior structures (such as garages) should be exempt from setback requirements.
- *Remove age or family restrictions* – As noted above, there are several reasons why ADUs are beneficial to both tenants and property owners beyond assisting a relative. The City should remove the relation requirement but maintain that the main housing structure must be owner-occupied to get an ADU.
- *Must have separate egress from the main unit* – Removing the relationship requirement means the City should require a separate exterior ingress and egress, or at least ensure there are separate, locking doors to each unit that can limit access.

WHY?

The City's existing accessory dwelling unit provision within the ***Zoning Ordinance*** is substantially limited, only allowing ADUs for family members who are older than 62 years of age or have a disability. ADUs are commonly used throughout the United States in cities and towns as a way to create additional ***affordable housing*** without having to intensify the built environment. ADUs can offer seniors opportunities to ***age-in-place*** longer, as the ADU can create a revenue stream to help maintain the house or help pay medical bills while having a separate space for a caretaker, if necessary.

[50] ***Accessory dwelling units (ADUs)*** are a set of rooms in a single-family home, on the lot of a single-family home, or in other structures or lots in a single-family zone that have been designed or configured to be used as a separate dwelling unit for a second household. ADUs typically must be established by permit.

ZONING CHANGES

Modify college student housing-related provisions.

HOW?

The City should uphold the three-student maximum in *R-1A* and *R-1* zones and expand the provision to all other residential zones (except potentially the *R-P Residential Professional*[51] zone).

The City should consider allowing more than three students per unit in non-residential zones that allow multifamily housing.

Priority:	MEDIUM
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	HIGH

The City should engage with each institution to identify potential on- and off-campus housing opportunities (such as better use of ***I-2 Educational Institutional***[52] zones) and require institutions to identify in their master plans the number of students living off campus, the institution's expectations for students living off campus, the institution's process for how it communicates City ordinances to students, the institution's process for disciplining students living off campus for violations of City ordinances, and the procedure for contacting the institution regarding student violations of City ordinances.

WHY?

The Rhode Island State Supreme Court recently upheld the constitutionality of restricting the number of college students living in the same single-family dwelling in the ***R-1***[53] and ***R-1A***[54] residential ***zoning districts*** to three. This decision affirms the City's efforts to maintain quality of life in the vicinity of colleges where student housing can be incompatible with other types of

[51] The ***R-P Residential Professional Zoning District*** is intended to preserve and enhance the residential integrity of select heavily traveled streets where certain residential-professional and low-intensity commercial uses are compatible. Compatible non-residential uses are those that can be accommodated within an existing residential structure to preserve the character of the street and its architecturally attractive and distinctive qualities.

[52] The ***I-2 Educational Institutional Zoning District*** permits higher education institutions and their expansion in a planned manner, while protecting surrounding neighborhoods. Educational facilities– university or college– are permitted in I-2 zones, as are other uses such as single-family dwellings, multifamily dwellings, and retail goods establishments. Key dimensional standards pertaining to minimum lot areas and widths, and minimum setbacks from property lines are detailed in the City's ***Zoning Ordinance*** at www.providenceri.gov/planning/zoning. The City's Zoning Map delineates which properties are designated as belonging to each zoning district.

[53] The ***R-1*** Zoning District designation accommodates low density residential development of single-family dwellings.

[54] The ***R-1A*** Zoning District designation accommodates lower density residential development of single-family dwellings on large lots.

housing. However, this regulation has limited impact because there are many houses in proximity to colleges that are exempt from the rule, including houses in higher-density residential zones and non-single-family houses in ***R-1*** and ***R-1A***. As the City looks to create more housing opportunities, it needs to ensure that student housing accommodations do not come at the cost of quality of life in the neighborhoods.

While efforts to preserve existing neighborhoods and create more opportunities for non-student rental households are justified, the need for student housing beyond existing dormitories remains. At a base level, some colleges and universities are expanding and renovating their existing on-campus dormitory space; however, the City should also engage with each institution to identify specific housing needs on- and off-campus.

ZONING CHANGES

Consider allowing certain adaptive reuse projects to be approved administratively.

HOW?

The City should consider an ordinance that allows for adaptive reuse projects of former residential, commercial, industrial, and institutional buildings under 50 residential units to be approved through an administrative process.

Priority:	MEDIUM
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	HIGH

The City should also establish performance requirements for these small and mid-sized projects, and then enable its staff to execute those requirements. At a base level, the administrative approval process should require at least 10% of new units to be committed to *affordability* at 50% of ***AMI*** for rental projects and 70% of ***AMI*** for ownership projects.

WHY?

In recent years, the City has received several applications to adaptively reuse former residential, commercial, industrial, and institutional buildings throughout the City. Examples include schools, churches and mansions that are no longer feasible to be used for their original purpose. Finding effective ways to repurpose existing buildings has long been part of Providence's real estate marketplace and provides an opportunity for the City to encourage historic preservation while promoting ***affordable housing***. Currently, adaptive reuse projects involving former residential, commercial, industrial, and institutional buildings in residential zones can face significant regulatory burdens.

Providing the potential for these projects to gain approval administratively encourages greater ***affordable housing*** development by reducing entitlement process costs and promotes greater ***affordability*** in higher-cost areas. It also allows for the City to partner with developers to layer incentives that could achieve more affordable units or deeper subsidy levels (such as through use of HOME funds).

ZONING CHANGES

Allow greater use of rowhouses.

HOW?

The City should consider allowing rowhouses as a conditional use in *R-1*, *R-1A* and *R-2*[55] zones under the following circumstances:

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	MODERATE

- *Minimum lot size* – The development lot must be at least 5,000 square feet prior to any subdividing and each unit must have at least 1,650 square feet of land associated with it.
- *Maximum unit count* - There can be a maximum of four units on any given lot without subdivision. In other words, any rowhouse development should be no larger than four attached units in the ***R-1***, ***R-1A*** and ***R-2*** zones.
- *Individual deeding of units* – Creating individual deeds for structures (or lot and structure if developed as ***fee simple***[56]) promotes homeownership and allows the ***PRA*** to use a ***land bank*** strategy to make homeownership more affordable.
- *Minimum of one unit as **income-controlled*** – In order for lots in ***R-1*** and ***R-1A*** zones to be used for rowhouses, at least one of the new units must be committed to ***affordability***. The RKG Team recommends a minimum of 60% of ***AMI*** for rental and 80% of ***AMI*** for ownership.
- *Use of pre-approved designs* – Like the substandard lot recommendation, the City should consider creating a series of pre-approved architectural designs to reduce potential costs for applicants and ensure aesthetics and form complement the neighborhood. The City could consider administrative approvals for smaller projects that use pre-approved designs.

WHY?

Currently, rowhouses are only allowed in ***R-3***[57], ***R-P*** and ***R-4***[58] residential ***zoning districts as well as several non-residential zoning districts***. Rowhouses, or townhouses, are a typical urban

[55] The ***R-2*** Zoning District accommodates moderate density residential development of single-family, semi-detached, two-family dwellings. Limited neighborhood commercial uses may also be allowed.

[56] ***Fee simple*** ownership means that the owner of the property has full and irrevocable ownership of the land and any buildings on it. Except for zoning ordinances, the owner is able to use the property as they wish. It is the highest form of property ownership in the United States.

[57] The ***R-3*** Zoning District is intended for higher density residential areas of detached single-family, two-family, and three-family residential development, as well as rowhouse development. Limited nonresidential uses, which are compatible with surrounding residential neighborhoods, may be allowed.

[58] The ***R-4*** Zoning District accommodates higher density residential development of single-family, semi-detached, two-family, three-family, rowhouse, and multi-family dwellings in areas that minimize negative impacts to lower

development pattern that can accommodate greater housing ***affordability*** and homeownership opportunities. This development type has been common in U.S. cities since the founding of the country. Unlike two- and three-family units, rowhouses are connected horizontally, not vertically. This offers several advantages, including eliminating the need for ***owner-occupants*** to pool resources and efforts to maintain lots. Rowhouses also provide lower-cost ownership and rental opportunities than traditional single-family houses due to their relatively smaller lots and building sizes. From a neighborhood cohesion perspective, rowhouse design is adaptive, and can be visually integrated and scaled to seamlessly integrate into single family detached neighborhoods. Rowhouses are an ideal alternative for a city like Providence to create new ***affordable housing*** options while preserving neighborhood character.

density residential neighborhoods. Limited neighborhood commercial uses may also be allowed. Key dimensional standards pertaining to minimum lot areas and widths, and minimum setbacks from property lines are detailed in the City's ***Zoning Ordinance*** at www.providenceri.gov/planning/zoning. The City's Zoning Map delineates which properties are designated as belonging to each zoning district.

ZONING CHANGES

Enable *cluster development* on large residentially zoned lots.

HOW?

The City should consider a policy amendment that enables large lots that could be subdivided for detached houses on individual lots to use a *cluster development* approach with the following requirements:

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	MODERATE

- *Minimum lot size* – The lot (or assemblage of lots) must be at least 0.5 acres.
- *Minimum land disturbance* - The ***cluster development*** must maintain at least 50% of the property undisturbed, particularly preserving old-growth trees and significant site elements such as historic stone walls when possible.
- *No density increase* - The overall unit count should not exceed the ***by-right*** count for that district based on the parcel's total acreage.
- *Housing types and building placement tailored to existing conditions* – Depending on existing conditions with the property, there should be flexibility in the type of housing (such as single-family, rowhouses, multifamily) and building placement.
- *Individual deeding of units* – Creating individual deeds for structures (or lot and structure if developed as ***fee simple***) promotes homeownership and allows the PRA to use a ***land bank*** strategy to make homeownership more affordable.
- *Minimum of one unit as **income-controlled*** – In order for traditional single-family unit lots to use the ***cluster development*** policy, at least one of the new units must be committed to ***affordability***. The RKG Team recommends a minimum of 80% of ***AMI*** for ownership.
- *Modest density bonuses* - Modest density increases for provision of ***affordable housing*** above and beyond the minimum of one ***income-controlled*** unit.
- *Small house strategy* – The ***cluster development*** policy should allow for coordination with the development of a small house or cottage house strategy. These units typically have less than 1,500 square feet, which would further minimize land disturbance of the overall parcel.

WHY?

While not pervasive throughout Providence, there are instances of large, residentially zoned underdeveloped lots. Given the city's general urban environment, it is appropriate to find creative, flexible ways to maximize the development potential of these parcels while promoting greater ***price diversity*** and preserving the character of the existing neighborhood. ***Cluster development***, the grouping of residential properties on a development site in order to use extra land as open space, recreation, or agriculture, is a common approach throughout New England and the U.S. to meet all three objectives.

ZONING CHANGES

Remove lot size requirements from *R-4* zones.

HOW?

The City should consider eliminating minimum lot size requirements in *R-4* zones to encourage multi-family housing development.

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	HIGH

WHY?

The City currently does not have a full multifamily zone. Each of the City's residential districts have maximum residential densities (defined as the number of dwelling units per unit of land; such as at least 1,650 square feet of land for each dwelling unit in R-3 zones or 1,150 square feet of land for each unit for rowhouses in ***R-4*** zones). Those density restrictions are only removed in the City's commercial and mixed-use districts, which also allow various retail and office uses. The maximum density currently imposed on ***R-4*** zones restricts the maximum number of units to 36 per acre for multi-family development and 37 per acre for rowhouse development (assuming the full acre is developable). For smaller lots, it almost eliminates the potential to build new three-family structures or smaller apartment buildings.

ZONING CHANGES

Consider *upzoning* [59] some residential areas where appropriate, after careful study and community engagement.

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	HIGH

HOW?

The City should consider *upzoning* individual properties or areas that are substantially non-conforming to other residential *zoning districts* to higher-density residential zones. Areas that might be considered for ***upzoning*** are where there are a substantial number of existing structures are non-conforming. This will require the City to do a more detailed audit of its housing supply and additional community engagement prior to determine which areas might be appropriate for ***upzoning***, but could help stabilize areas that have conflicting uses while opening up more opportunities to provide affordable rental housing.

WHY?

This could be used to allow for redevelopment of non-conforming properties or for the creation of more dwelling units. Deploying the ***R-4*** zone where appropriate could be a useful tool to produce more housing units, but ***R-4*** is not the only zone that could be utilized. In certain circumstances the ***R-3***, ***RP***, or even ***R-2*** zones could be used selectively to allow for additional housing, or to create redevelopment opportunities for existing non-conforming properties. Of course, any changes in zoning to allow for more housing density needs to be carefully considered for their impact on community character and quality of life.

[59] ***Upzoning*** is the process of increasing zoning density in particular zoning areas. For example, an R-1 single family zone might be upzoned to R-2 to allow two-family structures to be built by-right. An R-2 zone might be upzoned to R-3 to all three-family structures to be built by-right, and so on.

ZONING CHANGES

Refine the City's bonus density program to be more specific regarding construction of affordable units.

HOW?

The City should study changes to the bonus density provision of the *Zoning Ordinance* to have more specific thresholds and requirements for *affordable housing*.

Priority:	MODERATE
Timeline:	MID-TERM
Cost:	$25,000 (est.)
Impact:	MODERATE

The City should also explore expansion of the bonus density program for affordable units to other project types beyond *land development projects*.

It is general practice to use a 2:1 ratio of ***market-rate*** units to ***income-controlled*** units for 80% of ***AMI*** or higher, or a 3:1 ratio for 50% of ***AMI*** or lower, based on the level of subsidy sought for the affordable units. The affordable units required could be targeted as low as 50% of ***AMI*** for rental or 70% of ***AMI*** for owner-occupied units. The RKG Team anticipates the bonus density program would only apply to zones that allow residential development.

WHY?

One of the most cost-effective approaches to promote ***affordable housing*** is the use of bonus density. Bonus density programs offer developers opportunities to construct additional housing units above the ***by-right***[60] level in exchange for committing a portion of those units as ***income-controlled housing*** to target ***AMI*** thresholds. The principle of bonus density programs is to create a revenue positive financial impact to the development, incenting investors to take advantage of the optional program. The City's current bonus density provision allows up to two extra stories of development for ***land development projects***[61] in exchange for the creation of affordable units but does not specify how many affordable units are required.

[60] ***By-right development*** is a project explicitly allowed by the zoning code. The zoning code allows specific uses in each zone, with some additional uses allowed by special use permit.

[61] ***Land development projects*** are any development that meets one or more of the following criteria:

a. New construction of 10,000 square feet or more in gross floor area.
b. Additions or enlargements to structures where the new gross floor area of the addition or enlargement is 10,000 square feet or more.
c. Construction of new gross floor area that creates 10 or more dwelling or rooming units.
d. Development of 50 or more new parking spaces.

Density, particularly density that adds height to buildings, can be controversial. The use of bonus density should be balanced between production goals and preserving community character (such as might be achieved through a modest one-story bonus). One quarter of the new bonus units should be committed to ***affordability***.

The following types of development that may meet the above thresholds are not considered land development projects:

a. Any development in an institutional district that is part of an institutional master plan.
b. Any development subject to review by the Downtown Design Review Committee, the I-195 Redevelopment District Commission, or the Capital Center Commission.

REGULATION CHANGES

Require developers to agree to a long-term commitment to housing *affordability* in exchange for incentives.

HOW?

The City should require developers to commit to a minimum commitment period of 15 years of ensured *affordability* to access any incentives, with potentially longer requirements for projects where the City or PRA become equity investors; however, first, the City should also perform detailed financial analyses to understand the true cause and effect of various term commitments.

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	HIGH

WHY?

Most of the City's existing incentive programs require some level of commitment from property owners to access financial and regulatory incentives. Incentive programs that provide the most benefits to ***affordable housing*** creation and preservation are funded through ***HUD*** allocations, since they have to follow federal guidelines. Other policies have differing time frame requirements.

This will be most critical as the City finds success in developing public-private and public-public funding partnerships (as detailed in the Funding section). Any private or non-federal money should require a local policy on commitment. Other communities have used ranges from ten to 99 years based on the type and amount of incentive.

Requiring longer-term commitments may impact the desirability of incentives, particularly when housing markets are strong. That said, the City and Rhode Island Housing have the capability and capacity to review each program and establish a term requirement that does not affect the financial viability of the targeted project.

4. Potential New Programs and Policies

In addition to recommending changes to existing programs and policies, the Anti-Displacement and Comprehensive Housing Strategy provides several new policy and program recommendations. Most policy recommendations can be implemented relatively quickly and with little investment other than staff time to engage City leadership and craft each policy. New programs, however, will require additional resources before they can be viable. **As noted at the beginning of this document, the City does not have the resources to effectively impact all of the goals simultaneously.** Taking resources from existing programs to fund new programs only further dilutes the City's efforts. The program recommendations in this section focus on creating programs that target specific needs.

NEW HOUSING PRODUCTION
Require or incentivize *universal design*.

HOW?

The City should require new construction or major renovation of multifamily developments with more than 10 units to include *universal design*[62] components in at least 10% of *market-rate* units and all *income-controlled* units. This should include installation of accessibility features (such as visual and hearing assistance) in all new construction and renovation work as resources become available.

Priority:	MODERATE
Timeline:	SHORT TERM
Cost:	\$2,500 to \$5,000 per unit
Impact:	MODERATE

WHY?

Universal design requirements add little additional cost to projects, as they simply replace "standard" components and require internal structures to accommodate future installation of accessibility components. From a housing perspective, ***universal design*** includes features such as ***zero entry doorways***[63], flush thresholds at interior doorways, lever door handles, and adjustable height counters. This should include accessible entry doors, at least one accessible bedroom and bathroom door, at least one accessible bathroom, and installing wall blocking for handrails in that bathroom. Unlike requiring inclusion of all accessibility features (such as handrails in bathrooms and showers), ***universal design*** puts infrastructure in place in case the owner wants to include those features at a later date. Building accessibility into these projects will create opportunities for households with physical disabilities and elderly tenants to ***age-in-place*** when appropriate.

[62] ***Universal design*** is the design of buildings, products, or environments to make them accessible to all people, regardless of age, disability, or other factors.

[63] ***Zero entry doorways*** are designed without steps or other barriers to ensure access by all persons including those using wheelchairs or other mobility assistance devices.

NEW HOUSING PRODUCTION

Layer resources to reach lower AMI thresholds.

HOW?

The City should allocate a portion of any new locally derived revenue programs (such as linkage fees) to augment existing programs to reach lower income-levels, persons with special needs, and larger family households in new construction development.

Priority:	HIGH
Timeline:	LONG TERM
Cost:	$100,000 to $200,000 per unit
Impact:	HIGH

WHY?

Federal incentive programs have minimum income threshold requirements to access those resources; however, those thresholds (such as 80% of ***AMI*** for ownership programs) do not reach those households with the greatest need in Providence. As noted earlier, there are approximately 5,800 more renter households earning below 30% of ***AMI*** than there are ***price-appropriate*** housing units available in Providence. Financial feasibility analyses show providing housing priced to extremely low-income levels is not possible without additional financial assistance.

NEW HOUSING PRODUCTION

Augment *federal housing choice vouchers* with a locally funded housing voucher program.

HOW?

Priority:	LOW
Timeline:	LONG TERM
Cost:	$10,000 to $20,000 (ann.)
Impact:	HIGH

The City should consider a locally funded voucher program to augment *federal housing choice vouchers*[64]. The local program should operate with similar requirements to the federal Housing Choice Voucher program. The funding source would require consistent, predictable funds to be effective (such as a ***dime ad valorem dedication***[65]). This concept should be explored in partnership with the ***Providence Housing Authority (PHA)***[66] if resources are made available to this program.

WHY?

Financial calculations reveal that providing housing to households earning at or below 30% of ***AMI*** creates operational gaps, well beyond the capital costs of construction/renovation for those units. ***HUD's Section 8*** voucher program recognizes this challenge, offering financial subsidies to compensate landlords at ***Fair Market Rent*** for households that cannot make that payment alone. Creating a locally-funded voucher program to augment ***HUD*** efforts will benefit additional Providence households by affording them better housing choice than if they were left to pay rent on their own.

A local voucher program could also be designed to be combined with the City's existing housing construction programs (i.e. use of ***HUD HOME*** funds) to incent developers to deliver new units targeting households earning at or below 30% of ***AMI*** by addressing both construction and

[64] ***Federal housing choice vouchers*** are rental subsidies that assist very low-income families, the elderly, and the disabled in securing decent, safe, and sanitary housing on the private market. Rental assistance subsidy payment is provided directly to the landlord on behalf of the household. The household then pays the difference between the actual monthly rent and the rental subsidy amount.

[65] An ***ad valorem dedication*** is a tax based on the assessed value of property. The most common ad valorem tax is property tax, based on the assessed value of real estate. A dime ad valorem dedication means an increase of $0.10 per $1,000 of assessed value on real estate.

[66] The ***Providence Housing Authority (PHA)*** is a quasi-governmental organization that administers public housing units that house residents throughout Providence and also oversees administration of Section 8 vouchers that allow low-income households to rent housing in the private market.

operation financial needs by providing the local assistance as ***project-based vouchers***[67]. Focusing the City's voucher program on new construction projects would also alleviate potential concerns of meeting property inspection requirements set by ***HUD***.

[67] **Project-based vouchers** are attached to a specific unit (rather than the tenant) whose landlord contracts with the state or local public housing agency to rent the unit to low-income families.

NEW HOUSING PRODUCTION

Commit funds to a property acquisition fund.

HOW?

Priority:	HIGH
Timeline:	LONG TERM
Cost:	$500,000+ (ann.)
Impact:	HIGH

The City should commit an annual appropriation (either through one of the proposed revenue sources or a direct earmark) to fund acquisitions of critical properties to further housing goals. The fund should be administered by the ***PRA***, with rules that require any property sale to meet specific housing goals of the City (such as ***income-controlled*** rental housing). Acquisition strategies could include:

- ***Affordability*** *preservation* – Acquiring a site to protect long-term ***affordability***
- *Site assemblage* – Collecting several parcels adjacent to one another for development
- *Non-conforming lots* – Acquiring lots that do not meet development standards to be used in the Non-Conforming Parcels zoning changes program (detailed in the Zoning strategies section)

The acquisition fund could provide the start-up resources for a dedicated ***land bank*** strategy under the ***PRA*** to make homeownership more affordable. ***Land banks*** can be used to defray the cost of land through a public-private partnership with the homeowner. In these cases, the acquisition fund could be used to buy lots created through zoning regulation changes (such as the ***cluster development*** strategy) to acquire the ***income-controlled*** unit and maintain that lot in the City's ***land bank*** under the ***PRA***.

WHY?

Policies and programs that preserve and promote ***affordable housing*** are effective ways to partner with non-profit and private sector property owners and developers to create a diverse, vibrant community; however, owning property provides the City the ultimate flexibility to meet specific housing needs, whether it be using the value of land to reduce development costs, ensure a permanent commitment to ***affordability***, or remove barriers to development.

It is important to note that land acquisition is likely a longer-term approach. Most notably, the results and benefits of some acquisition efforts could take years to come to fruition. Further, land acquisition can be expensive, limiting the number and pace of projects that the City can initiate through this fund. To this point, the land acquisition fund is a prime candidate to be a public-private partnership equity fund concept as detailed in the funding section.

HOUSING REHABILITATION

Create a stand-alone energy efficiency program.

HOW?

The City should create a separate energy efficiency fund with newly identified revenue sources, detailed in the Funding section, that can provide *gap financing*[68] for other programs such as Lead Safe Providence Program and Home Repair Program to address repairs specific to energy efficiency like appliance replacement or energy efficient windows.

Priority:	MEDIUM
Timeline:	LONG TERM
Cost:	$1M+ (ann.)
Impact:	HIGH

The City should require that rehabilitation funds only be available to landlords with low- and moderate-income tenants. To this point, income qualifying tenants (for landlords) may require new staff capacity.

This program should also be used to encourage the installation of cold-climate heat pumps to expand the RI Heat Pump Program introduced in 2019.

WHY?

This fund would augment existing Community Action Partnership of Providence (CAPP) and City efforts through greater local investment and provide resources for landlords to perform energy efficiency and healthy housing investments. The energy efficiency program is a candidate for the investment fund concept detailed in the Funding section, particularly with healthcare partners who are interested in investing in housing improvements that are connected to reducing health problems.

This concept is one of many needed rehabilitation programs that should be available to landlords. Most of the City's existing programs are available exclusively to homeowners; however, rental housing properties in Providence need rehabilitation funds as much, if not more so, than owner-occupied units. One consideration for creating landlord-targeted programs is the need to income-qualify tenants to gain access to these investments.

[68] ***Gap financing*** is a short-term loan given to help a person or company pay for immediate costs until they are able to secure permanent financing. It allows people or companies to meet current obligations by providing immediate cash.

HOUSING REHABILITATION

Create a stand-alone accessibility assistance program.

HOW?

As local resources become available, the City should formalize a stand-alone forgivable, low or no interest loan program to assist property owners in installing permanent accessibility improvements (such as access ramps and accessible bathrooms).

Priority:	LOW
Timeline:	LONG TERM
Cost:	$500,000+ (ann.)
Impact:	MODERATE

The City should consider prioritizing senior households to enable *age-in-place* opportunities in addition to using a sliding scale for income levels (similar to the Home Repair program recommendation).

WHY?

This is a natural progression from the ***universal design*** recommendation and can be done in partnership with the State's ***RI Livable Home Modification Grant Program***[69] through the Governor's Commission on Disabilities.

[69] The ***RI Livable Home Modification Grant Program*** partially reimburses accessible home modifications that allow individuals who have disabilities to live safer in their existing homes and remain in their existing neighborhoods.

HOUSING REHABILITATION

Create a program that offers forgivable *gap financing* for purchase-rehabilitation projects.

HOW?

The City should consider a forgivable *gap financing* or grant program to assist participants in federally funded acquisition programs to bridge the property condition gap. Making it a forgivable loan or grant allows this concept to be layered with the City's other programs. Money is only the first step to make this strategy viable. The City will need to have a list of pre-approved contractors to do repairs to meet ***HUD***'s timeline requirements for repairs to be completed.

Priority:	MEDIUM
Timeline:	LONG TERM
Cost:	\$10,000 to \$25,000 per unit
Impact:	MODERATE

The City should consider prioritizing current Providence community members and first responder applicants for this program given the investment most likely will not be fully recovered.

WHY?

One of the challenges facing modest-income households seeking to become homeowners is the need for structures to meet ***HUD*** inspection requirements (particularly through the Down Payment and Closing Cost Assistance program) upon or shortly after purchase. Local real estate professionals indicated that many affordable homeownership structures require additional rehabilitation, and property condition is often a disqualifying factor for the City's Down Payment and Closing Cost Assistance Program.

HOUSING REHABILITATION

Implement a Right of First Refusal Policy to preserve existing *affordability* or assemble land critical to meet the City's *affordable housing* needs.

HOW?

The City should use the Acquisition Fund detailed earlier to implement a Right of First Refusal policy with the following considerations:

Priority:	LOW
Timeline:	MID TERM
Cost:	STAFF TIME
Impact:	MODERATE

- *Specific review criteria for acquisition* – The policy should clearly define the parameters under which the City can intervene on a market transaction (such as to preserve ***affordability*** or acquire a parcel integral to an ongoing assemblage).
- *Minimum project size* – The intent of this program is not to micromanage all residential transactions. Rather, it should focus on projects of a minimum size and those already committed to income-control programs.
- *Maximum review period* – The Right of First Refusal policy should not disproportionately impact market transactions. RKG recommends a maximum of 30 days to review purchases.

WHY?

This would strengthen the City's acquisition fund and redevelopment agency, provide a way to engage with buyers and sellers in an impactful manner, position the City to be a more credible partner and negotiator, and prioritizes properties that have expiring subsidies. Preserving units that are already ***income-controlled*** is the most cost-effective preservation and production action the City can implement. One of the challenges of maintaining ***affordability***, particularly in a community like Providence that has a substantial inventory of ***naturally-occurring***, affordable ***market-rate*** housing, is that rents tend to rise faster than incomes when markets are strong, making housing less affordable. Investors often purchase existing naturally-occurring affordable structures or complexes or those with expiring deed restrictions to rehabilitate or convert to condominiums in these markets, removing them from the ***affordable housing*** supply.

Some communities such as Montgomery County, Maryland have implemented a Right of First Refusal policy, that allows them to intervene on an ***arms-length sale***[70] of an existing residential property and purchase that property at the agreed-upon price. The intent of the program is to give the City the option of acquiring a property to preserve existing ***affordability*** or assemble

[70] An ***arms-length sale*** is a real estate transaction in which the parties involved have no pre-existing relationship with each other (these are not sales between family members or companies with related shareholders) that helps ensure properties are priced at fair market values and that a buyer and a seller are not pressured by each other.

land critical to meet the City's ***affordable housing*** needs. To this point, criteria would need to be established to determine which properties would be eligible under the Right of First Refusal program. Criteria such as minimum number of affordable units and strategic locations for assembly/access are most common to avoid an undue amount of administrative time needed to review every property sale in the jurisdiction. RKG recommends focusing on specific areas of the City with comparatively little ***price diversity*** (such as the East Side) and non-residential properties with potential to be redeveloped or adaptively reused for residential.

CODE COMPLIANCE

Implement a mandatory rental housing registry program.

HOW?

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	HIGH

The City should take a more proactive approach to rehabilitation and increase code compliance by implementing a series of "carrot" and "stick" policies to ensure better housing conditions. **As a first step, the City should implement a rental registry program, requiring that all rental housing units be registered annually in order to facilitate regular code compliance inspections of rental units.** The City should set an initial annual registration fee at $25 and use funds created through this program to hire additional inspectors needed to carry out the inspections, pay for the tracking software needed to administer the program, and seed a landlord compliance rehabilitation loan fund (detailed in a later recommendation). The City should consider providing reduced or no cost registration for owners that can income-qualify their tenants as falling below 60% of ***AMI***. To ensure compliance, the City should make fines steep for non-registration (starting at $100 per month per violation).

WHY?

More than 83% of Providence's housing stock was built more than 40 years ago. While this defines the City's unique neighborhoods and architectural character, it also means rehabilitation and modernization must be high priorities for the City. This is particularly important for Providence renters, as more than 50% of rental units in Providence are in single-family, two-family, three-family, and condominium units (which tend to be older and independently owned) rather than in apartment complex developments.

Property condition and habitability is a well-known issue in Providence; however, based on feedback from City staff, approximately 90% of code compliance issues are complaint-driven, rather than driven by proactive inspection processes, due to the lack of a formal registration and monitoring program for rental units. Simply put, market conditions are not strong enough to encourage substantial rehabilitation of existing housing stock.

CODE COMPLIANCE

Reinstate a Certificate of Habitability Program.

HOW?

Priority:	HIGH
Timeline:	MID TERM
Cost:	$500,000 (ann.)
Impact:	HIGH

As a component of the required rental registry, the City should reinstate a code compliance inspection program for all rental units that requires inspections every three years, or every ten years for units that retain the same tenant, whichever is longer. The City should also consider a longer grace period for a first inspection (such as six months rather than a standard of three months). The City will need additional code enforcement staff and more comprehensive tracking software to monitor compliance and progress on rehabilitation projects to accomplish this. As identified in the previous recommendation, the registration fee is intended to cover these increased costs to the City.

In addition to penalties for not registering rental units, the City should ensure there are substantial penalties for landlords who are repeat offenders to code compliance violations and fail to complete required repairs in a timely manner. The City will need to strategize about how to administer initial violations under the annual inspections and Certificate of Habitability programs to avoid potentially overwhelming both landlords and contractors that serve this market.

WHY?

Based on feedback from the City's Department of Inspection and Standards, Providence once had a Certificate of Habitability requirement for rental housing. As noted, conditions of some rental housing, particularly ***market-rate*** units targeting the lowest income households, are the most common units reported for code compliance issues through the City' existing ***311 program***[71].

The rental registry combined with a regular inspection requirement is the most efficient way to ensure all rental housing in Providence is code compliant and safe. The Certificate of Habitability program will ensure a safe rental housing market while establishing a universal minimum standard for all rentals that will be applied equitably.

[71] The Providence ***311 program*** is the communication portal for residents of Providence to engage the Mayor's Center for City Services, an initiative started in 2016 to foster accountability and provide transparent, efficient, and proactive city services. https://www.providenceri.gov/pvd-311/

CODE COMPLIANCE

Create a Rehabilitation Loan Program to assist landlords with low-income tenants with home repairs needed for code compliance.

HOW?

Priority:	HIGH
Timeline:	MID TERM
Cost:	$10,000 to $25,000
Impact:	HIGH

In coordination with requiring rehabilitation efforts to gain code compliance, **the City should create a stand-alone home repair program for code compliance for landlords that can income-verify tenants at HUD-defined income thresholds.**

The City should also consider expanding the existing rehabilitation programs, such as Home Repair Program, to aid landlords with income-verifying tenants. Revenues from the rental registry could be used to assist landlords with income verification.

Any financial assistance to landlords should require a minimum commitment to *affordability*. The City should create a sliding scale for how much financial assistance a landlord can receive based on the income level of the verified tenant and location in the City.

Similar to the Home Repair Program recommendation, **the City should also establish bonuses or offer forgivable loans (with a minimum five-year commitment) for serving lower income households (such as those under 50% of AMI) or in neighborhoods with greater housing condition issues (tracked through the compliance software)**.

WHY?

The City's existing Home Repair Program is only available to ***owner-occupants***; however, more than 66% of the City's housing units are rentals. Creating a rehabilitation program that assists investor-owners who serve lower income households will increase compliance while enabling landlords to retain lower rents despite repair costs. This is an important component of preventing displacement of existing residents. The City should fund this effort, in part, with any remaining rental registration fees.

LANDLORD-TENANT STRATEGIES

Expand tenant advocacy support.

HOW?

The City should continue to provide funding for eviction defense and advocacy organizations in addition to publishing materials that inventory and detail tenant rights and support organizations.

The City should invest in legal services, create new materials to educate tenants regarding their rights, and provide support, staff and financial resources to keep these materials accurate and current.

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	$300,000 (est.)
Impact:	HIGH

WHY?

Evictions can have devastating consequences for both the household and the broader community. They destabilize neighborhoods and drive low-income tenants deeper into poverty. Eviction defense attorneys can help tenants stay in their homes.

There are several organizations offering tenant advocacy assistance within Providence. From organizations such as Direct Action for Rights and Equality (DARE) that administers a tenant homeowners association to the Rhode Island Center for Justice that partners with community groups to strengthen existing advocacy, the City already has a strong housing advocacy infrastructure.

The current process for reporting code compliance issues and engaging property owners requires tenants to initiate challenges and complaints, putting them in direct conflict with their landlords. Increasing tenant awareness of, and support from, resources available to protect their rights complements the proposed code compliance inspection process.

LANDLORD-TENANT STRATEGIES

Host a landlord engagement forum.

HOW?

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	MEDIUM

Concurrent with the proposed policy and program changes to protect tenants, the City should directly engage with landlords through a landlord roundtable to discuss policy and program development and implementation. The City should proactively solicit feedback from those directly impacted by these new and revised approaches to better understand and address challenges and issues that currently exist or may arise due to new approaches to addressing housing needs.

WHY?

Listening to the concerns of landlords during the policy and program development process can address potential impacts before finalization and build buy-in through two-way communication and coordination. The Landlord Engagement Forum should include a diverse mix of landlords (such as small and large landlords, racially diverse landlords, investors from different areas of the City, and student landlords) to help identify market changes that affect existing and proposed policies.

LANDLORD-TENANT STRATEGIES

Advocate for source of income protection.

HOW?

The City should continue to advocate for the inclusion of source of income as a protected class under the State's Fair Housing laws. The City should continue to work with a coalition of communities and organizations in support of this initiative.

Priority:	MEDIUM
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	HIGH

WHY?

Currently, landlords can refuse to lease to households that receive government subsidies.

This process will benefit from the Landlord Engagement Forum, as engaging and informing existing landlords can lead to more universally supported policy initiatives while potentially addressing current resistance to leasing to households receiving subsidies through a proactive discussion on the facts of the process.

This effort dovetails well with the Certificate of Habitability requirement, as the inspection component of accepting government funds was noted as a barrier during interviews conducted as part of this study.

LANDLORD-TENANT STRATEGIES

Create a Landlord Assistance Program to incentivize landlords to accept subsidy payments.

HOW?

The City, *Providence Housing Authority*, and other stakeholders (such as Crossroads) should partner to assist landlords that are willing to accept subsidy payments in order to expand housing choice for government subsidized households.

Priority:	HIGH
Timeline:	SHORT TERM
Cost:	STAFF TIME
Impact:	HIGH

Assistance could take the form of:

- *Application process assistance* – Help landlords address the administrative component of the application process for tenants and landlords.
- *Priority inspection times* – Landlords willing to accept subsidy payment tenants should get priority in inspections (and reinspection, if necessary) to reduce waiting periods and provide flexibility.
- *Allocation of rehabilitation funds for participants* – Earmark a portion of the Home Repair, Lead Safe, and Compliance Rehabilitation Loan programs to landlords that accept subsidy payments (for units with subsidy tenants).
- *On-site service agreement assistance with local providers* – Assist tenants in coordinating support service provisions on-site. This can be provided in many ways, from transportation assistance for providers to funding that supports permanent on-site assistance (for larger housing complexes).
- *Tenant relations assistance* – Resources can be offered to assist landlords addressing tenant needs or maintaining or providing program-appropriate issue mitigation.
- *A security deposit match program* – Offer a security deposit match available to landlords that will help defray any loss of revenue stemming from non-payment or damage after following all proper channels to seek mitigation.

WHY?

Another barrier to accepting government subsidized tenants identified in the outreach effort for this study is the procedural challenges to certifying tenants, maintaining appropriate records, and managing the potential support service needs of tenants.

IMPLEMENTATION MATRIX

The following matrix provides a tabular organization of the recommended actions from the previous section for the City to consider.

CITY OF PROVIDENCE, RHODE ISLAND			**Implementation Timing (Year)**			**Estimated Cost**	
Comprehensive Housing Strategy Implementation Matrix			**Short Term**	**Mid Term**	**Long Term**	**Amount**	**Frequency**
FUNDING STRATEGIES							
Objective #1	**Pledge 10% of the tax revenue generated by properties with TSA agreements to the Housing Trust (current)**					**Staff Time**	**One Time**
	Action 1:	Consider strategy to syndicate this future revenue stream into a housing bond					
	Action 2:	Empower the Providence Redevelopment Agency (PRA) to administer the use of these resources to meeting the defined housing goals					
	Action 3:	Formalize a reporting "dash board" that tracks the net impact and per unit efficiency of the user of these resources					
Objective #2	**Commit a portion of the City's the real property tax rate to the Housing Trust Fund**					**Staff Time**	**One Time**
	Action 1:	Approve a $0.10 increase to the residential real property tax rate that is committed to funding the Housing Trust					
	Action 2:	Consider strategy to syndicate this future revenue stream into a housing bond					
	Action 3:	Empower the Providence Redevelopment Agency (PRA) to administer the use of these resources to meeting the defined housing goals					
	Action 4:	Formalize a reporting "dash board" that tracks the net impact and per unit efficiency of the user of these resources					
Objective #3	**Create a linkage fee policy that requires new commercial development to fund its pro rata share of housing impact on the City**					**$50,000**	**Every Three Years**
	Action 1:	Fund a linkage fee study to determine the housing impact cost per square foot of new commercial and industrial development on the housing market					
	Action 2:	Enact a policy that requires new construction projects with a minimum commercial and/or industrial square footage (recommend 25,000 square feet minimum)					
	Action 3:	Apply revenues from the linkage fee to the Housing Trust					
Objective #4	**Take leadership in bringing public, private, and non-profit partners together to collaborate on joint funding/implementing housing rehabilitation, new housing construction, or support service provision**					**Staff Time**	**Continuous**
	Action 1:	Work with City housing, development, and innovation decision makers to implement innovative financing models					
	Action 2:	Increase local decision makers' awareness of the need, complexity, and opportunity of public private partnerships					
	Action 3:	Engage with potential funders (such as hospitals and colleges) to identify mutual housing goals and priorities					
	Action 4:	Explore new models for public-private partnerships through roundtables with potential public non-profit, and private sector partners					

CITY OF PROVIDENCE, RHODE ISLAND			**Implementation Timing (Year)**			**Estimated Cost**	
Comprehensive Housing Strategy Implementation Matrix			**Short Term**	**Mid Term**	**Long Term**	**Amount**	**Frequency**
FUNDING STRATEGIES							
Objective #5	**Leverage the City's financial and staff resources through mutually beneficial partnerships with other public, non-profit, and private entities**					**$500,000+**	**Annually**
	Action 1:	Focused partnerships bring a few player together to address specific housing goals					
	Action 2:	Neighborhood investment funds are geographically-specific initiative that oftentimes layer multiple investors and implementation partners to leverage public investments					
	Action 3:	Equity investment funds expand capacity through engaging equity partners, typically found in new construction programs					
RECOMMENDED CHANGES TO EXISTING PROGRAMS							
Objective #1	**Modify the Home Repair Program to increase the number of applicants that can be served each year**						
	Action 1:	Establish a sliding scale of assistance and target neighborhood bonus for applicants				Staff Time	One Time
	Action 2:	Change the repayment time frame for home repair loans				Staff Time	One Time
	Action 3:	Consider a locally-funded component that targets higher income (over 80% AMI) households in target areas				$10,000 to $20,000	Per Loan
Objective #2	**Modify the Down Payment and Closing Cost Assistance Program to better connect benefits to income and targeted areas for greater homeownership**						
	Action 1:	Modify the City's benefit formula to make out-of-pocket contributions fixed, and dependent on the income of the program applicant				Staff Time	One Time
	Action 2:	Create a locally-funded City resident interest rate buy down program to increase purchase power				$5,000 to $10,000	Per Loan
	Action 3:	Offer increases benefits for investments in targeted neighborhoods (i.e. NRSA)				$5,000 to $30,000	Per Loan
Objective #3	**Establish a comprehensive decision matrix to allocate the City's limited funds**						
	Action 1:	Create a scoring system based on objective criteria (i.e. location of property, level and amount of affordability, leverage of public resources…) to maximize impact of City-generated funds				Staff Time	Bi-Annually

CITY OF PROVIDENCE, RHODE ISLAND			Implementation Timing (Year)			Estimated Cost	
Comprehensive Housing Strategy Implementation Matrix			Short Term	Mid Term	Long Term	Amount	Frequency
RECOMMENDED CHANGES TO EXISTING POLICIES							
Objective #1	**Refine the financial policies and incentives to ensure a minimum delivery of price diversity while addressing the financial challenges of developing new residential units**						
	Action 1:	Establish minimum price diversity commitments to qualify for longer TSA commitments				Staff Time	One Time
	Action 2:	Establish minimum price diversity commitments to qualify for the 8% Tax Act designation				Staff Time	One Time
	Action 3:	Consider developing a third millage rate for large multifamily properties between the existing residential and commercial rates to reduce operating costs				$50,000	One Time
	Action 4:	Advocate to the State to create a committed, annual revenue source for housing programs				Staff Time	Continuous
Objective #2	**Consider changes to the zoning code to align better with the stated housing goals for the City**						
	Action 1:	Activate small lots with affordable infill housing by eliminating the merger provision and creating pre-approved architectural designs to reduce development costs				Staff Time	One Time
	Action 2:	Make the City's accessory dwelling unit policy more applicable while ensuring safety and affordability				Staff Time	One Time
	Action 3:	Establish a student housing policy that follows Supreme Court ruling to preserve neighborhoods while accommodating student housing needs in appropriate locations				Staff Time	One Time
	Action 4:	Consider allowing certain adaptive reuse projects to be approved administratively				Staff Time	One Time
	Action 5:	Allow rowhouse development in R-1 and R-2 zones under certain design conditions				Staff Time	One Time
	Action 6:	Allow cluster development of large lots in R-1A and R-1 zones under certain design and scaling conditions				Staff Time	One Time
	Action 7:	Remove minimum lot size requirements in the R-4 zones				Staff Time	One Time
	Action 8:	Refine the City's bonus density program to be more specific regarding construction of affordable units				$25,000	One Time
Objective #3	**Consider new regulatory processes that improve the approval process and ensures long-term price diversity**						
	Action 1:	Require developers to agree to a long-term commitment to housing affordability in exchange for incentives				Staff Time	One Time

CITY OF PROVIDENCE, RHODE ISLAND Comprehensive Housing Strategy Implementation Matrix			Implementation Timing (Year)			Estimated Cost	
			Short Term	**Mid Term**	**Long Term**	**Amount**	**Frequency**
PROPOSED PROGRAMS AND POLICIES							
Objective #1	**Increase the reach and focus of programs and policies to better align new housing construction with identified needs in the marketplace**						
	Action 1:	Require and incent the use of universal design standards in all new construction projects				$2,500 to $5,000	Per Unit
	Action 2:	Create a local funding source to reach lower AMI levels for new construction through tools such as mezzanine financing and rate buy downs				$100,000 to $200,000	Per Unit
	Action 3:	Consider a locally-funded housing voucher program				$10,000 to $20,000	Per Unit, Annually
	Action 4:	Create a property acquisition fund to assist in land assemblage and affordability preservation				$500,000+	Annually
Objective #2	**Increase resources for housing rehabilitation to target specific market needs for income-qualified households**						
	Action 1:	Create a energy efficiency program to expand existing City efforts				$1,000,000+	Annually
	Action 2:	Create an accessibility assistance program to improve handicap housing choice and age-in-place opportunities for income-qualified residents				$500,000+	Annually
	Action 3:	Create a program that offers forgivable gap financing for purchase-rehabilitation projects				$10,000 to $25,000	Per Unit
	Action 4:	Consider a right-of-first-refusal policy for rental housing sales to preserve affordability in certain situations				Staff Time	One Time
Objective #3	**Make regular code compliance mandatory to address housing condition and safety issues evenly and fairly**						
	Action 1:	Require all rental housing units register with the City				Staff Time	One Time
	Action 2:	Reinstate the Certificate of Habitability program requiring regular code compliance inspections				$500,000+	Annually
	Action 3:	Create a Rehabilitation Loan Program to assist landlords with low-income tenants with home repairs needed for code compliance				$10,000 to $25,000	Per Unit
Objective #4	**Enhance the City's existing efforts to engage and assist landlords and existing residents**						
	Action 1:	Expand tenant advocacy support through improved outreach/materials and greater eviction defense				$15,000	Annually
	Action 2:	Establish a landlord engagement forum to collaborate on policy and market issues, and enhance landlord outreach and education				Staff Time	Continuous
	Action 3:	Advocate to the state for source of income protections for households who receive government subsidies for housing				Staff Time	Continuous
	Action 4:	Develop a landlord assistance program to help them navigate the process of accepting housing assistance vouchers (i.e. tenant intake, revenue security, tenant relations...)				Staff Time	Continuous

APPENDIX A: Glossary of Terms

The following appendix provides a comprehensive list of technical terms used in the Anti-Displacement and Comprehensive Housing Strategy. Terms are listed in alphabetical order.

GLOSSARY OF TERMS

The Providence ***311 program*** is the communication portal for residents of Providence to engage the Mayor's Center for City Services, an initiative started in 2016 to foster accountability and provide transparent, efficient, and proactive city services.

The ***8% Tax Act*** is a State of Rhode Island property tax law that limits property taxes to 8% of a property's gross rental income on housing that is deed restricted as affordable to income-eligible households.

Ability to Pay is the maximum amount a household can spend on housing without being cost burdened.

Accessory dwelling units (ADUs) are a set of rooms in a single-family home, on the lot of a single-family home, or in other structures or lots in a single-family zone that have been designed or configured to be used as a separate dwelling unit for a second household. ADUs typically must be established by permit.

An ***ad valorem dedication*** is a tax based on the assessed value of property. The most common ad valorem tax is property tax, based on the assessed value of real estate. A dime ad valorem dedication means an increase of $0.10 per $1,000 of assessed value on real estate.

Affordability is calculated based on an individual household's reasonable ability to pay for housing. The U.S. Department of Housing and Urban Development (HUD) defines affordability for rental housing as no more than 30% of the household's gross income.

Affordable housing is the overarching term used to describe all housing priced at a level that will not cause a given household to become housing cost-burdened.

Age-in-place is a term that references an ability for older persons to either stay in their current home or choose from a range of affordable, age- and price-appropriate housing options within their existing neighborhood. To learn more about aging-in-place, visit HUD's website at https://www.huduser.gov/portal/periodicals/em/fall13/highlight1.html#title.

Area Median Income (AMI) is established by the U.S. Department of Housing and Urban Development (HUD) as the midpoint of households' annual income in specific regions of the country. Household income levels are also used as a way to determine housing affordability for different income groups. In the Providence-Fall River region, the AMI for a four-person household is $81,900 per year. This means that a four-person household earning 30% of AMI in Providence makes $25,750 per year; earning 50% of AMI makes $40,950 per year; and earning 80% of AMI makes $65,500 per year.

An ***arms-length sale*** is a real estate transaction in which the parties involved have no pre-existing relationship with each other (these are not sales between family members or companies with related shareholders); that helps ensure properties are priced at fair market values; and ensures that a buyer and a seller are not pressured by each other.

The ***Baby Boomer generation*** refers to persons born between the mid to late 1940s to the mid-1960s. The name refers to the increased birth rate after World War II.

A ***U.S. Census Block Group*** is a geographical unit used by the United States Census Bureau which is between the Census Tract and the Census Block. It is the smallest geographical unit for which the bureau publishes sample data, i.e. data which is only collected from a fraction of all households. Typically, Block Groups have a population of 600 to 3,000 people.

By-right development is a project explicitly allowed by the zoning code. The zoning code allows specific uses in each zone, with some additional uses allowed by special use permit.

Cluster development is the grouping of residential properties on a development site in order to use the extra land as open space, recreation, or agriculture.

A ***Community Benefits Agreement (CBA)*** is a contract signed by community groups and a real estate developer that requires the developer to provide specific amenities and/or mitigations to the local community or neighborhood. In exchange, the community groups agree to publicly support the project, or at least not oppose it. Often, negotiating a CBA relies heavily upon the formation of a multi-issue, broad based community coalition including community, environmental, faith-based and labor organizations.

The ***Community Development Block Grant (CDBG)*** Program is overseen by ***HUD*** and provides annual grants to states, cities, and counties to meet housing needs and expand economic opportunities for low- and moderate-income persons. The amount of CDBG funds provided to states, cities, and counties is based on a formula which considers factors such as extent of poverty, total population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas.

Community Development Corporations (CDCs) are not-for-profit organizations that provide programs, services, and activities that promote and support community development in specific locations or areas. CDCs in Providence include organizations such as ONE Neighborhood Builders, the Smith Hill Community Development Corporation, and Stop Wasting Abandoned Properties (SWAP).

Community Development Financial Institution (CDFI) Certification is a designation given by the United States Department of the Treasury CDFI Fund to organizations that provide financial services in low-income communities and to people who lack access to financing. CDFIs may include community development corporations, credit unions, or loan and venture capital funds. To learn more, visit www.cdfifund.gov.

The ***Community Reinvestment Act (CRA)*** is a federal law passed in 1977 that requires financial institutions to meet the credit needs of low- and moderate-income neighborhoods, especially neighborhoods subjected previously to exclusionary banking practices (such as redlining).

Cost burdened is defined by HUD as paying more than 30% of gross income for housing and essential utilities.

To qualify as an ***entitlement community*** through HUD, the entity must be a central city of a Metropolitan Statistical Areas (MSAs), a metropolitan city with a population of at least 50,000, or a qualified urban county with a population of at least 200,000 (excluding the population of entitled cities). Entitlement communities are eligible to receive annual federal funds from HUD, including CDBG and HOME Investment Partnerships Program funds.

Extremely low income is a HUD-defined term that includes all households that earn less than 30% of ***Area Median Income (AMI)***.

Fair Market Rents is a gross rent estimate that includes the base rent, as well as any essential utilities that the tenant would be responsible for paying, such as gas or electric. It does not include non-essential utilities such as telephone, television, or internet.

Fee simple ownership means that the owner of the property has full and irrevocable ownership of the land and any buildings on it. Except for zoning ordinances, the owner is able to use the property as they wish. It is the highest form of property ownership in the United States.

Federal housing choice vouchers are rental subsidies that assist very low-income families, the elderly, and the disabled in securing decent, safe, and sanitary housing on the private market. Rental assistance subsidy payment is provided directly to the landlord on behalf of the household. The household then pays the difference between the actual monthly rent and the rental subsidy amount.

Frontline communities are those that experience “first and worst” the consequences of climate change. These are communities of color and low-income, whose neighborhoods often lack basic infrastructure to support them and who will be increasingly vulnerable as our climate deteriorates.

Gap financing is a short-term loan given to help a person or company pay for immediate costs until they are able to secure permanent financing. It allows people or companies to meet current obligations by providing immediate cash.

A ***homestead exemption*** is a real property tax exemption for households that own and occupy their primary residence in the City. The owner must show proof of occupancy to gain homestead exemption status.

The ***I-2 Educational Institutional Zoning District*** permits higher education institutions and their expansion in a planned manner, while protecting surrounding neighborhoods. Educational facilities– university or college– are permitted in I-2 zones, as are other uses such as single-family dwellings, multifamily dwellings, and retail goods establishments. Key dimensional standards pertaining to minimum lot areas and widths, and minimum setbacks from property lines are detailed in the City's Zoning Ordinance at www.providenceri.gov/planning/zoning. The City's Zoning Map delineates which properties are designated as belonging to each zoning district.

Housing tenure refers to whether a housing unit is rented or owned by its occupants.

Income-controlled housing refers to housing units that can only be sold or rented to households that earn below a stated income level (typically called an income cap). These income caps determine eligibility, helping low-income families access price-appropriate housing.

Land banks are organizations that purchase and hold land for future development; in this case, land would be acquired in strategic locations, and would be held for later development that includes or is exclusively designated as affordable housing.

Land development projects are any development that meets one or more of the following criteria:

a. New construction of 10,000 square feet or more in gross floor area.
b. Additions or enlargements to structures where the new gross floor area of the addition or enlargement is 10,000 square feet or more.
c. Construction of new gross floor area that creates 10 or more dwelling or rooming units.
d. Development of 50 or more new parking spaces.

The following types of development that may meet the above thresholds are not considered land development projects:

a. Any development in an institutional district that is part of an institutional master plan.

b. Any development subject to review by the Downtown Design Review Committee, the I-195 Redevelopment District Commission, or the Capital Center Commission.

Low-cost capital refers to loans with lower costs associated with borrowing money, such lower interest rates.

Low-cost transportation services may include frequent, convenient bus or rail service, walkable environments, or safe, comfortable bicycle infrastructure. Low-cost transportation reduces a household's overall expenses, which is important because after housing costs, transportation is the largest expense for most households. The City's recently completed Great Streets Plan (www.providenceri.gov/planning/great-streets) and RIPTA's recently completed Transit Master Plan (www.transitforwardri.com) outline existing and planned transportation investments citywide.

Low- to moderate-income (LMI) households are households earning below 50% (low) and between 50% and 80% (moderate) of HUD's calculation of the area median income for a geographic area. In Providence, the FY2019 annual median family income, as established by HUD is $81,900. Thresholds for LMI households are $40,950 for a family of four at 50% of AMI and $65,500 for a family of four at 80% of AMI.

Low Income is a HUD-defined term for households that earn between 50% and 80% of AMI.

The ***Low-Income Home Energy Assistance Program (LIHEAP)*** helps families living on low incomes pay their heating bills in the form of a cash grant. Households in immediate danger of being without heat can also qualify for crisis grants. The cash grant is a one-time payment sent directly to the utility company/fuel provider to be credited on your bill. These grants range from $200 to $1,000 based on household size, income, and fuel type. Remember: This is a grant and does not have to be repaid.

Market-rate housing refers to housing that has no restrictions related to the income of its residents (whether they be homeowners or renters).

Metropolitan Area Planning Commission (MAPC) is a regional planning agency that provides planning and analysis services throughout Massachusetts and the greater Boston Metropolitan area.

National objective criteria are three minimum standards established by ***HUD*** to qualify a real estate project to be eligible to receive CDBG funding***.*** CDBG funds may potentially be used for multiple housing projects within an NRSA if collectively the projects meet the requirements specified under the first of the three criteria, which is "benefit to low- and moderate-income persons."

Naturally occurring affordable housing is rental or ownership housing that is affordable to targeted income groups (such as 80% of ***AMI***) without a subsidy. A majority of America's affordable housing operates without subsidy and is referred to as Naturally Occurring Affordable Housing (NOAH). These Class B and Class C multifamily rental properties (generally built between 1940 to 1990) provide housing at rates affordable to low- and moderate-income households. For more information, see http://bbhousingonline.com/naturally-occurring-affordable-housing/.

Neighborhood Revitalization Strategy Areas (NRSAs) are geographic areas identified by municipalities and approved by HUD as a tool to help empower individuals, attract investment, and build wealth in areas with a high percentage of low- to moderate-income households. NRSA designations allow cities more flexibility with the expenditure and administration of CDBG funding.

Owner-occupants are homeowners, meaning that they own the home they live in, although that may be a single-family home or another housing type such as a two- or three-family structure.

Price-appropriate housing is defined as housing that costs no more than 30% of a household's annual gross income.

Price diversity refers to having housing supply available at multiple price points, from affordable to upper end.

The ***Providence Housing Authority (PHA)*** is a quasi-governmental organization that administers public housing units that house residents throughout Providence and also oversees administration of Section 8 vouchers that allow low-income households to rent housing in the private market.

The ***Providence Redevelopment Agency (PRA)*** operates under the powers set out in Chapters 31-33 of Title 45 of the Rhode Island General Laws, the "Redevelopment Act of 1956." The ***PRA's*** focus is the elimination and prevention of blighted and substandard areas. It is also granted broad power to foster economic development in substandard and blighted areas.

The ***R-1*** Zoning District designation accommodates low density residential development of single-family dwellings.

The ***R-1A*** Zoning District designation accommodates lower density residential development of single-family dwellings on large lots.

The ***R-2*** Zoning District accommodates moderate density residential development of single-family, semi-detached, two-family dwellings. Limited neighborhood commercial uses may also be allowed.

The ***R-3*** Zoning District is intended for higher density residential areas of detached single-family, two-family, and three-family residential development, as well as rowhouse development. Limited nonresidential uses, which are compatible with surrounding residential neighborhoods, may be allowed.

The ***R-4*** Zoning District accommodates higher density residential development of single-family, semi-detached, two-family, three-family, rowhouse, and multi-family dwellings in areas that minimize negative impacts to lower density residential neighborhoods. Limited neighborhood commercial uses may also be allowed. Key dimensional standards pertaining to minimum lot areas and widths, and minimum setbacks from property lines are detailed in the City's Zoning Ordinance at www.providenceri.gov/planning/zoning. The City's Zoning Map delineates which properties are designated as belonging to each zoning district.

The ***R-P Residential Professional Zoning District*** is intended to preserve and enhance the residential integrity of select heavily traveled streets where certain residential-professional and low-intensity commercial uses are compatible. Compatible non-residential uses are those that can be accommodated within an existing residential structure to preserve the character of the street and its architecturally attractive and distinctive qualities.

Redlining refers to the process by which, in 1935, the Home Owners' Loan Corporation (HOLC) designated neighborhoods in cities across the country as low- or high-risk for mortgage lending based on "Residential Security" maps, or what we refer to today as redlining maps. Neighborhoods throughout the country were classified as Best (green), Desirable (blue), Declining (yellow), or Hazardous (red). Criteria in determining a neighborhood's risk level included, among others, age and condition of housing, transportation, proximity of parks or industrial areas, and the socio-demographic makeup of existing residents.

The ***RI Livable Home Modification Grant Program*** partially reimburses accessible home modifications that allow individuals who have disabilities to live safer in their existing homes and remain in their existing neighborhoods.

Small lot development is residential construction that occurs on lots smaller than the current zoning allows. Small lot development typically incorporates other strategies, such as cluster development.

Tax credit projects (also referred to as the "Low Income Housing Tax Credit" or "Housing Credit") are agreements between developers and the federal government that allow eligible participants to offset a portion of their federal tax liability in exchange for the production or preservation of affordable rental housing.

Tax Stabilization Agreements (TSAs) are agreements between developers and the City that reduce the amount of taxes paid on property for a period not to exceed twenty years. Eligible projects may seek City approval for phased-in property tax payments that often begin with no payments being required for the first few years after redevelopment of the property and then several years of payments for a percentage of the assessed base value of the property. After a set number of years, the stabilization plan expires, and property taxes return to their full taxation level.

The ***United States Department of Housing and Urban Development (HUD)*** is a Cabinet-level department of the United States government that is responsible for national policy and programs related to housing needs and fair housing enforcement.

Universal design is the design of buildings, products, or environments to make them accessible to all people, regardless of age, disability, or other factors.

Upzoning is the process of increasing zoning density in particular zoning areas. For example, an R-1 single family zone might be upzoned to R-2 to allow two-family structures to be built by-right. An R-2 zone might be upzoned to R-3 to all three-family structures to be built by-right, and so on.

Very Low Income is a HUD-defined term representing households earning between 30% and 50% of AMI.

Zero entry doorways are designed without steps or other barriers to ensure access by all persons including those using wheelchairs or other mobility assistance devices.

The City of Providence's ***Zoning Ordinance***, Map, and User's Manual can be found online at www.providenceri.gov/planning/zoning. All municipalities, including Providence, have a Zoning Ordinance that provides land use and development regulations, organized by ***zoning districts***. The Zoning Map identifies the location of zoning districts.

APPENDIX B: Technical Analysis

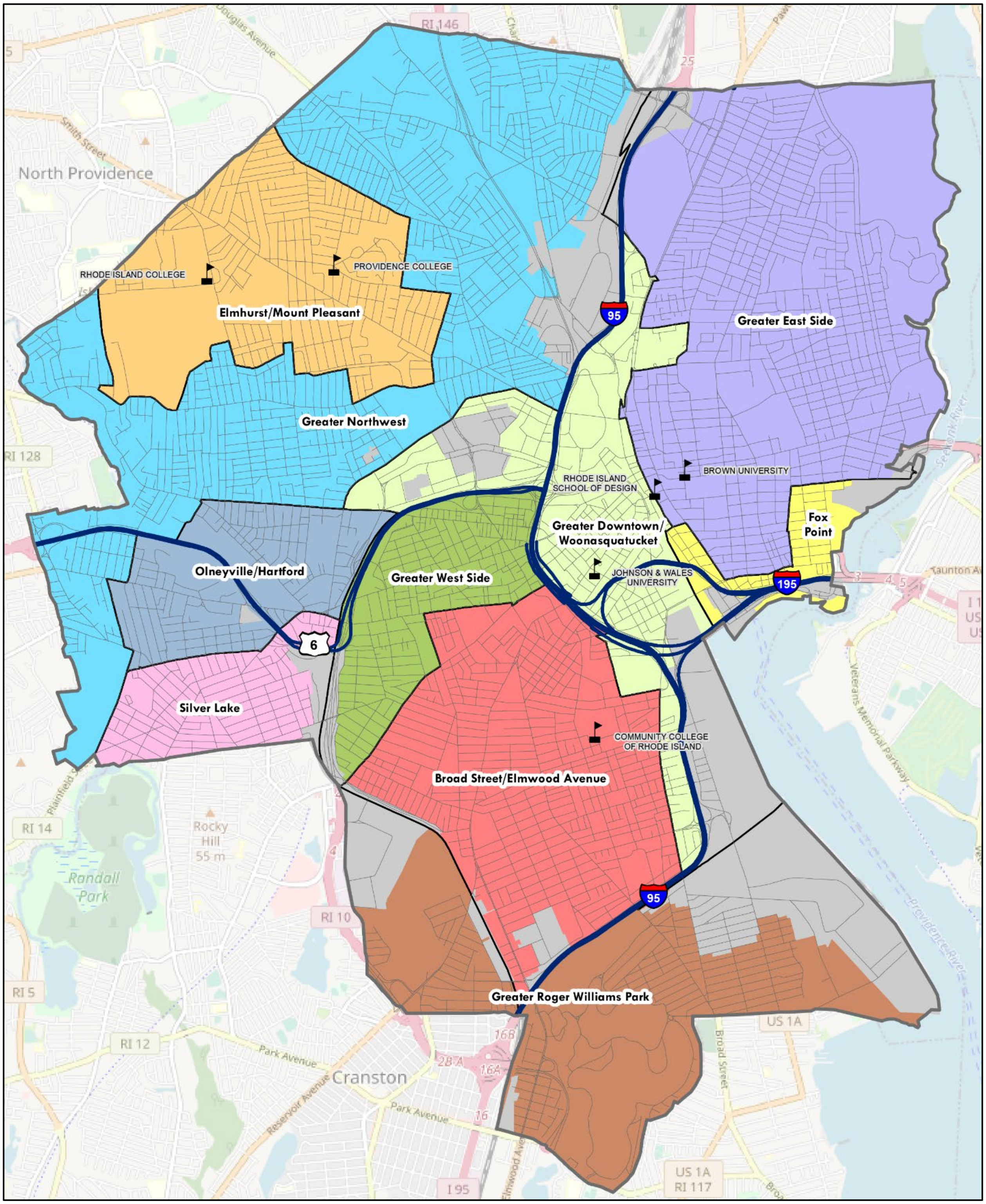
The following sections describe in detail the technical analysis the RKG Team undertook to identify Providence's most pressing housing needs. The RKG Associates' Team completed a thorough socioeconomic, residential real estate, and housing financial feasibility analysis of the City of Providence to understand current and projected housing market needs. This empirical analysis used data from several primary and secondary sources including the U.S. Census, ***U.S. Department of Housing and Urban Development (HUD)***, State of Rhode Island, City of Providence, and several private data vendors (including ESRI, LoopNet, and Apartments.com). The RKG Team also interviewed City staff, community stakeholders, real estate professionals, housing advocates, housing providers, housing developers (public, non-profit, and private), and special interest groups to garner a qualitative understanding of the quantitative analysis and ensure all perspectives were considered when crafting the implementation strategy.

SUBAREA BOUNDARIES

The following analysis provides a detailed assessment of the demographic, housing supply, housing demand, and housing ***affordability*** trends impacting the City of Providence and ten geographic subareas within the City. The subareas (identified in Map 1) were determined using several criteria including: real estate market conditions, pre-existing neighborhood boundaries, physical and natural boundaries such as highways and water bodies, and input from City staff. It is important to note that subarea boundaries needed to follow ***U.S. Census block group boundaries***[72] due to the limitations of the data needed to complete this analysis. To this point, RKG and City staff tried to follow known neighborhood boundaries as close as possible.

[72] ***U.S. Census Block Group*** is a geographical unit used by the United States Census Bureau which is between the Census Tract and the Census Block. It is the smallest geographical unit for which the bureau publishes sample data. Typically, Block Groups have a population of 600 to 3,000 people.

Map 1
Providence Housing Strategy Subarea Boundaries



DEMOGRAPHIC ANALYSIS

1. Key Findings

Providence is getting older. Consistent with regional and national trends, the City's population is skewing older, particularly for people over 65 years old. The City's ***Baby Boomer*** population, which constitutes a large percentage of the City, are choosing to stay in Providence and ***age-in-place***. This trend is consistent with other communities throughout the U.S. Historically, relocation of retirees opened up housing opportunities for the next generation working households. Having this large age cohort disproportionately staying put can strain the supply and demand equilibrium as new forming households have less choice for housing.

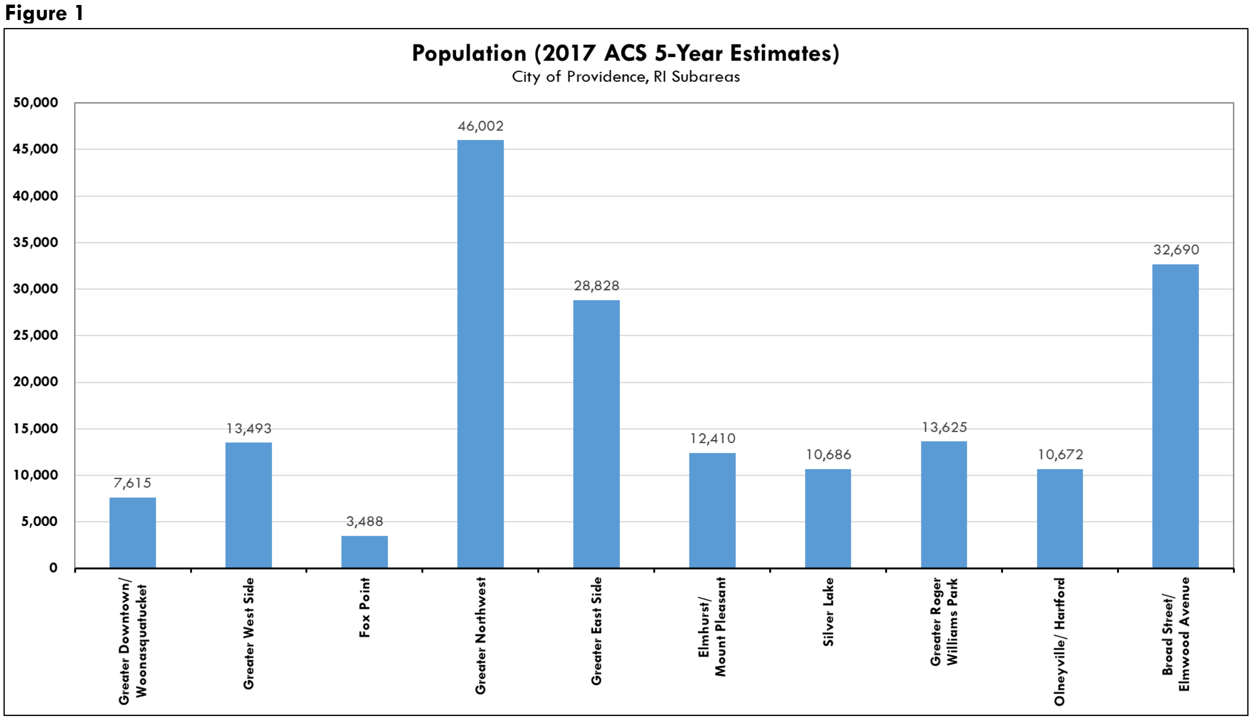
Providence is a diverse city with a strong and growing Latinx population. As of 2017, the Latinx population comprised 42% of Providence's total population, having grown by 17,577 people since 2010. However, these new residents are heavily concentrated in specific areas of the City such as Silver Lake, Olneyville/Hartford, and Broad Street/Elmwood Avenue. These areas also tend to have higher concentrations of older, larger, rental housing concentrated in two- and three-family structures.

Demand for special needs housing is increasing locally and state-wide. While the total number of people with disabilities has decreased, people who are living with multiple disabilities has increased. The City may also begin to see an uptick in people with disabilities due to the increasing number of people over the age of 65. Additionally, the number of persons living with HIV doubled between 2010 and 2018, although net new diagnoses was lower in 2018 than in 2010. Lastly, local providers working with homeless individuals and families noted the homelessness population has remained stable and the net number of available spaces remains well below demand in the City.

2. Total Population

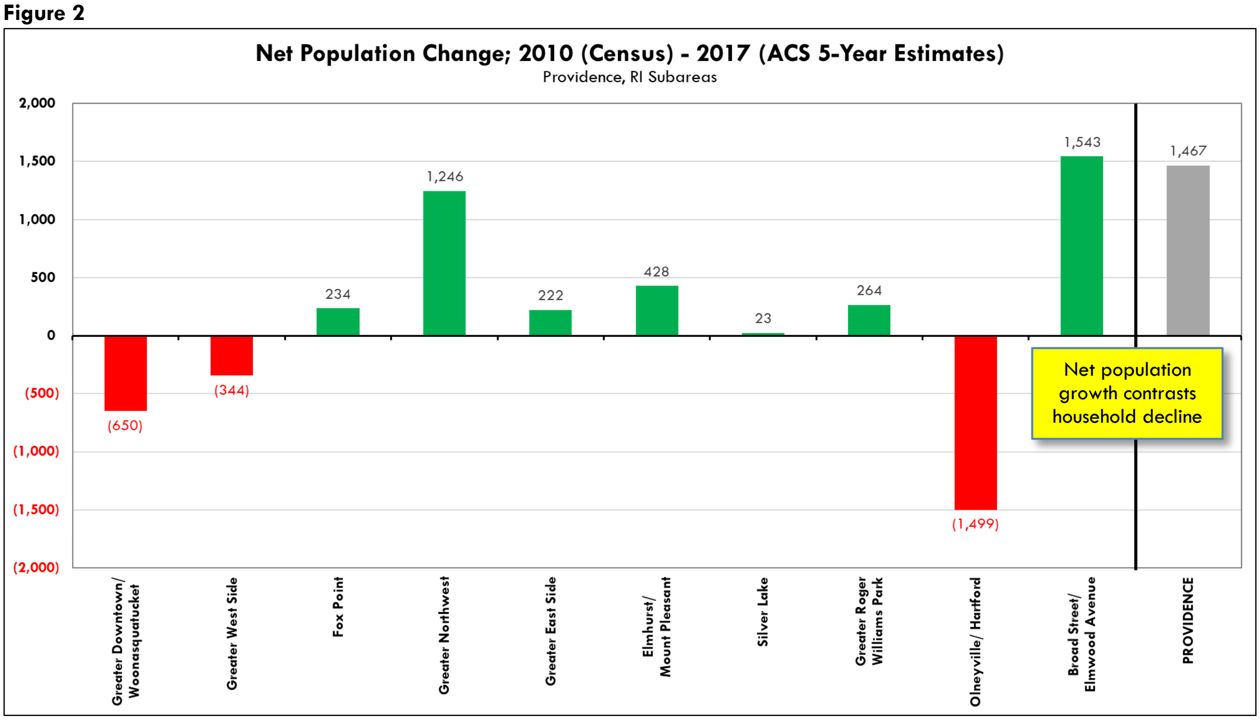
The City of Providence's population has been stable since the economic recovery began in 2010. U.S. Census American Community Survey (ACS) data indicates that Providence's total population increased 0.7% from 178,286 in 2010 to 179,509 in 2017. The City's increase was nearly identical to that of Providence County which increased 0.8% over the same period. Three subareas within the City (Greater Northwest, Greater East Side and Broad Street/Elmwood) represent the largest portion of the City's population, consisting of approximately 60% of the City's total population (Figure 1). This finding is consistent with housing unit count data (detailed later in this analysis), where these three subareas represent the majority of the City's housing units.

Figure 1



While the City's total population has only grown slightly since 2010, population growth has varied greatly between the ten subareas. The Broad Street/Elmwood Avenue subarea (1,543 net new residents) accounts for more than 100% of the overall City growth. This is due to the substantial population decline in the subareas of Olneyville/Hartford, Greater Downtown/Woonasquatucket, and the Greater West side (Figure 2). In fact, the Greater Norwest and Broad Street/Elmwood subareas grew at rates three or four times faster than any other subarea in the City. At face value, the data indicate slight migration shifts between adjacent subareas (Olneyville/Hartford is adjacent to Greater Northwest and Greater Downtown/Woonasquatucket and Greater West Side are adjacent to Broad Street/Elmwood Avenue). However, it is more likely that these differences are a combination of reallocation within and limitations of Census data, as RKG could not find any corroboration on any substantial demolitions or anecdotal reports of notable increases in vacancy.

Figure 2



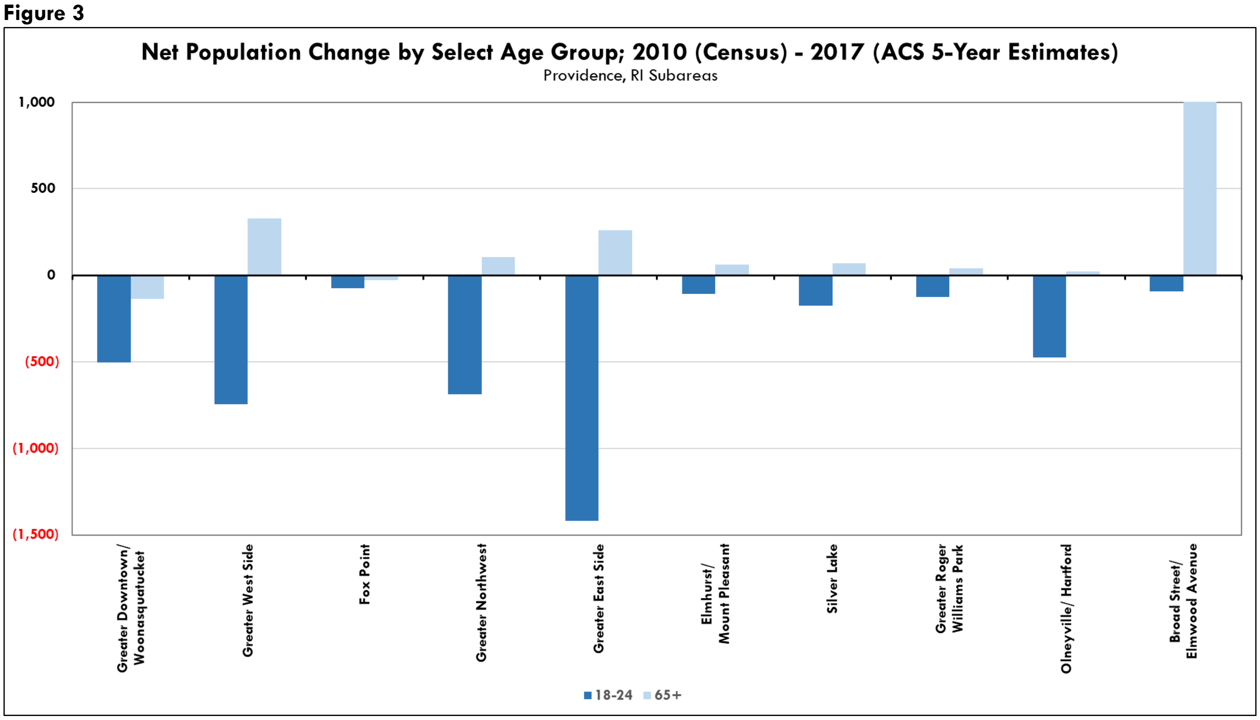
3. Population by Age

Much like the rest of New England and the U.S., Providence's population growth has been concentrated in people over the age of 55. Between 2010 and 2017, people in those age cohorts increased 14% (or 4,268 persons). Much of this growth is likely from those who are remaining in Providence and ***aging-in-place***. While the increase in older people is a national trend, it does mean people may have changing housing preferences, needs for greater levels of accessibility and services, and the potential to accommodate multi-generational households.

While the presence of older people is increasing, the City is simultaneously losing younger people under the age of 19. Over the same seven-year period, the City saw a near 10% decrease (5,550) in younger people. The age cohort experiencing the largest decline was people ages 15 to 19 which dropped 23%. This could be the result of Providence people who are of college-age moving outside the City to attend school, or possibly families with high school-aged children choosing to move out of the City looking for higher performing public schools. Local real estate professionals indicated these are common in Providence.

Looking at the population by age data across the subareas nearly every subarea lost people ages 18-24 and most gained people over the age of 65 (Figure 3). The largest decline in younger people was in the Greater East Side subarea while the Broad Street/Elmwood subarea saw a significant increase in people over the age of 65. The Greater East Side is home to Brown University. Based on an interview with a school official, the net change in college-aged persons in that area likely is a combination of the University's recent addition of more than 160 bed spaces on campus (which are classified as group quarters for the Census) as well as the dispersion of Brown students, particularly graduate students, elsewhere in the City and outside Providence. Based on feedback from local real estate professionals, students are seeking less expensive options that still provide comparable conveniences (such as found within Federal Hill).

Figure 3



4. Population by Race and Ethnicity

The City of Providence is racially and ethnically diverse. U.S. Census data indicates approximately 47% of the City's population is non-white. The largest non-white racial groups are "Some Other Race" (19.5%) and Black (15.6%). Census data can be challenging to interpret because Latinx is considered an ethnicity by the Census, and not a race. To this point, the "Some Other Race" category most likely are Latinx people not identifying as one of the racial options. In fact, the Latinx population comprised 42% of Providence's total population in 2017.

The City's diversity has been increasing since 2000. According to the Census, the City's total population increased by 5,891 persons during this time period. In comparison, the Latinx population increased by 23,246 persons. **This indicates that the City's net population growth has been exclusively from Latinx households**. **From a housing perspective, Latinx households tend to be larger and skew more towards multi-generational as well. Having larger households with multiple generations would indicate the need for larger housing units. The City's large supply of two-family and three-family housing structures are ideal for these family household units.**

The racial and ethnic composition of the ten subareas varies greatly. The subareas of Fox Point, Greater East Side, and Elmhurst/Mount Pleasant are predominantly white (more than 75%). These three neighborhoods also have the lowest concentration of two- and three-family units and host the City's three largest colleges and universities (Providence College, Brown University, and Rhode Island School of Design). In contrast, the subareas of Silver Lake, Olneyville/Hartford, and Broad Street/Elmwood Avenue are predominantly Latinx (more than 60%). These subareas also tend to have higher concentrations of older, larger, rental housing concentrated in two-family and three-family units. Figure 4 shows population by race across each of the subareas and for Providence as a whole.

The Elmhurst subarea has a low percentage of Latinx residents while three out of every four Silver Lake residents identify as Latinx (Figure 5). The highest growth since 2010 in Latinx residents occurred in the Broad Street/Elmwood and Greater Northwest subareas. The Broad Street subarea gained just over 8,000 Latinx residents over the seven-year period.

Figure 4

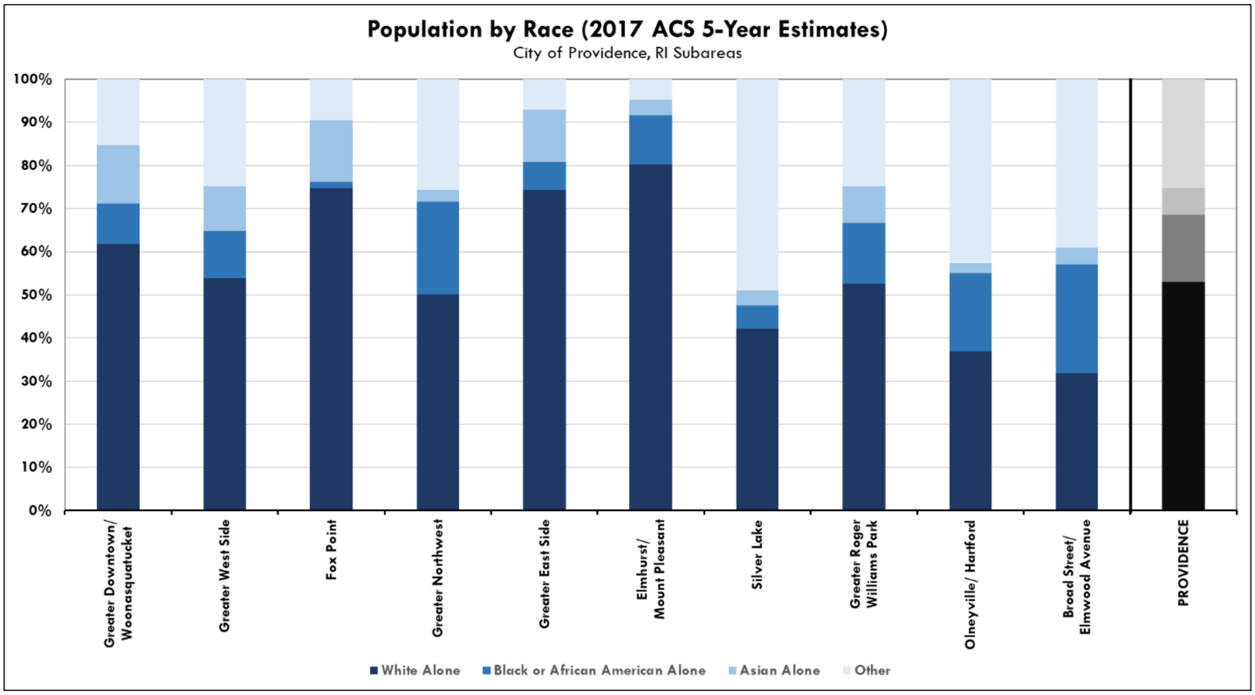
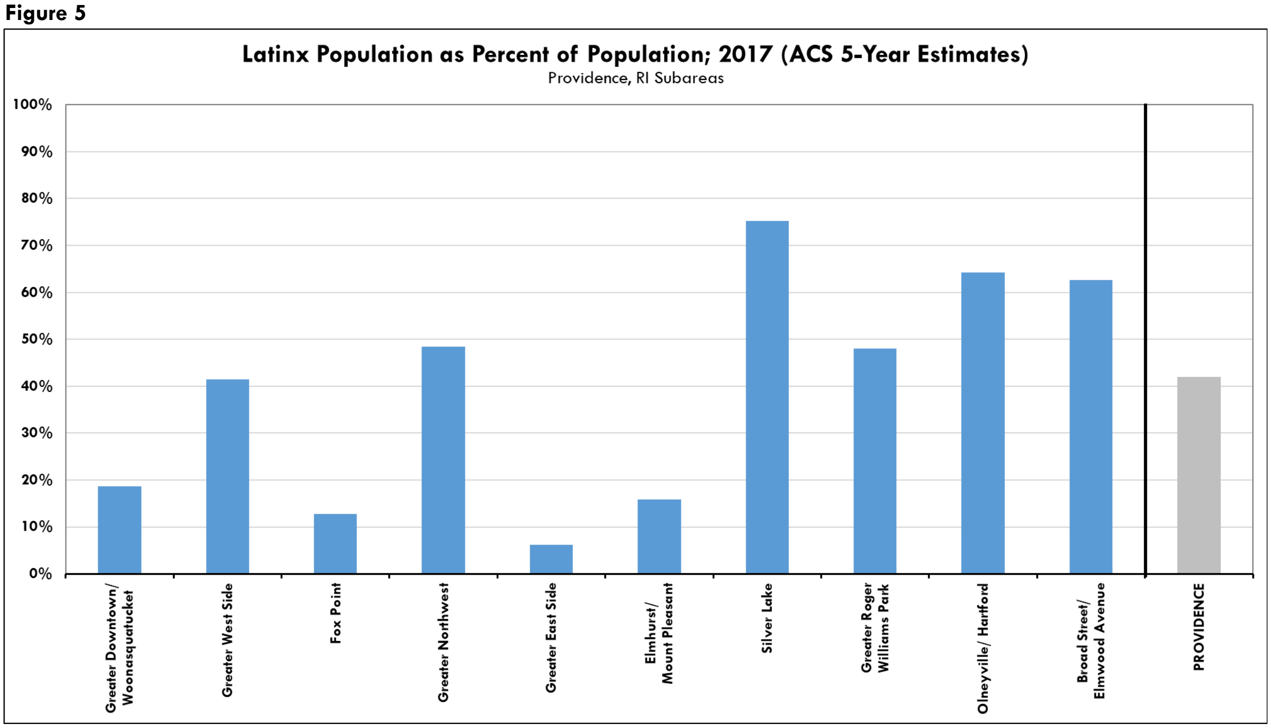


Figure 5



5. Special Needs Populations

To better understand the housing and wrap around services people with special needs seek, the housing strategy reviewed data on people with disabilities, those living with HIV, and homeless individuals and families. Information on people living with disabilities was available for the City of Providence through the U.S Census Bureau's American Community Survey (ACS), but information about people with HIV was only available for the Providence-Warwick Metropolitan Statistical Area (MSA) and homelessness data was available at the state level.

Residents with Disabilities

Almost 13% of the City's population (22,613 persons) reported having at least one disability in the 2017 ACS estimates. This reflects a net decline from the 2010 Census count of 23,369 persons, or approximately 3 % (756 persons). While the number of individuals with disabilities declined, the total number of reported disabilities increased by nearly 9%, from 42,637 in 2010 to 46.4% in 2017. **This means of the individuals reported to be living with a disability, many are living with more than one type of disability.** Within the Census reporting form there are six types of disabilities an individual can choose from, noting an individual can choose more than one from the list.

Figure 6 shows the total number of disabilities noted in each of the six categories. People with cognitive difficulty and those with ambulatory difficulty comprised about half of all noted disabilities. When comparing 2010 data to 2017, there was a 65% increase in the number of people who have difficulty with self-care (Figure 7). People who have ambulatory difficulty also increased since 2010. These findings corroborate the population by age data, where the number of persons over 65 is steadily increasing.

As Providence's population continues to age, it is likely that both the number of people with disabilities and the total number of disabilities noted will increase over time. Some of the more recent changes such as increases in people who have difficulty with self-care and those with ambulatory challenges may be related to the City's aging population. As shown in Figure 8, people under the age of 64 with a disability decreased by 1,413 while people 65 and older with a disability increased by 657.

The growth in older people as well as those reporting multiple disabilities will place added pressure on the housing market to provide units that are age-friendly and accessible. This will take a combination of adapting existing homes with accessibility features, as well as new construction of accessible housing that can accommodate residents looking to live independently or with some assistance.

Figure 6

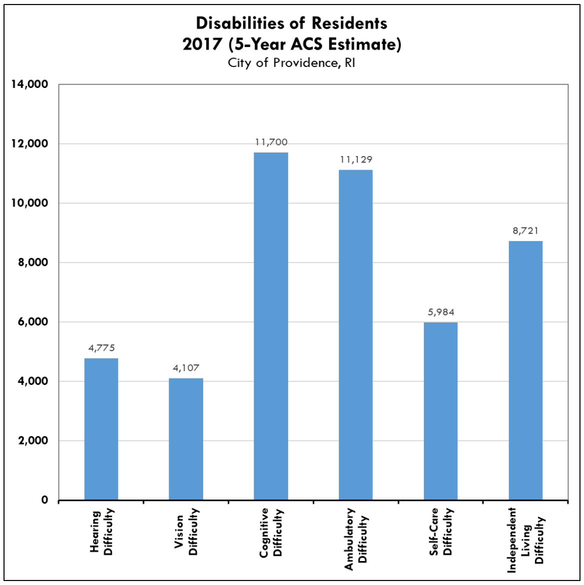
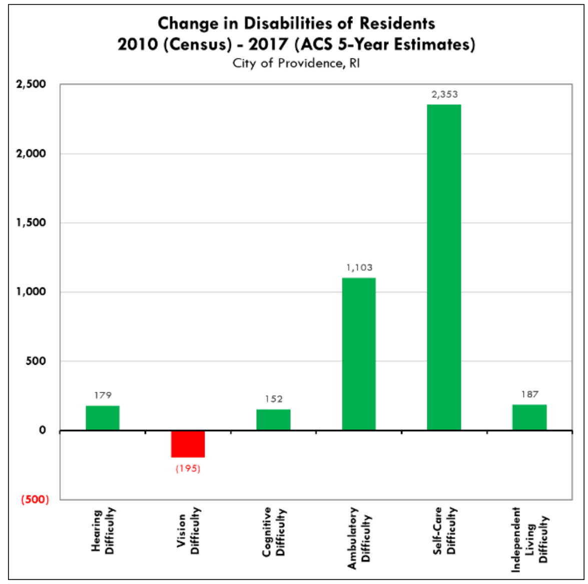


Figure 7



Persons with HIV

The number of individuals in the Providence-Warwick Metropolitan Statistical Area (MSA) who are living with HIV more than doubled between 2010 and 2018, increasing by 1,905. In total, the Center for Disease Control (CDC) estimates there are 3,701 persons living in the Providence region. And while the diagnosis rate has declined from 14.1 per 1,000 persons in 2010 to 7.2 per 1,000 persons in 2018, the average annual new diagnoses remains above 100 people (Figure 9).

Figure 8

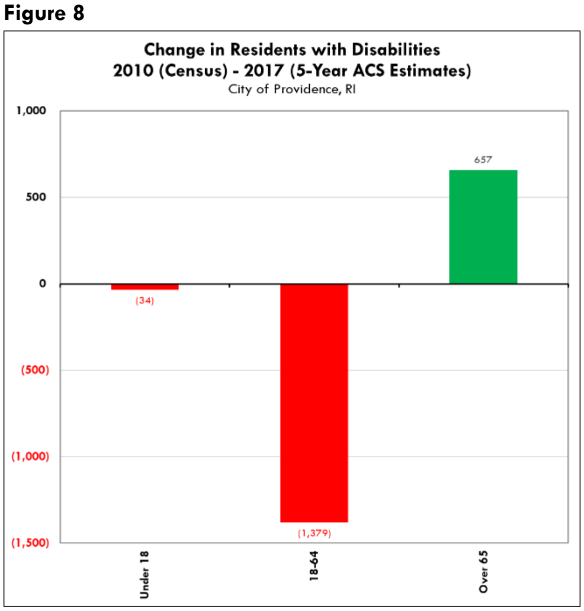
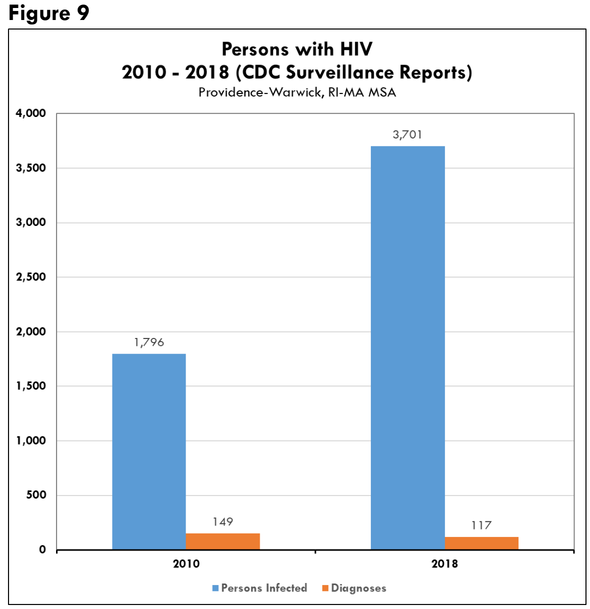


Figure 9

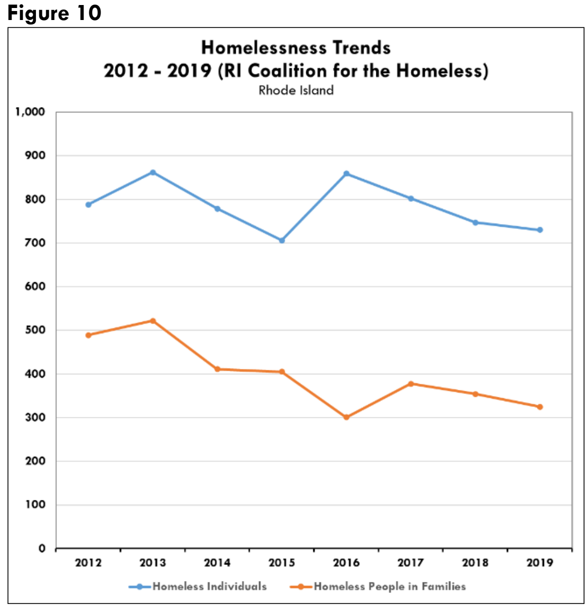


From a housing perspective, not all persons living with HIV have unmet housing needs. However, there is a contingent of the persons with HIV/AIDS that are unable to secure housing due to larger mitigating circumstances (such as HIV combined with homelessness and/or criminal records). **According to AIDS Care Ocean State, the state's largest AIDS service agency, there are more than 200 individuals on their housing needs waiting list.** Given the majority of the state's AIDS services are located in Providence, this demand most likely is strongest for housing within the City. AIDS Care Ocean State indicated they have the resources to provide the wrap around services for these individuals seeking housing. However, they do not have the resources to build/acquire the necessary housing or to subsidize enough private market units to meet waitlist demand.

Homelessness

From a statistical perspective, the number of homeless people in Rhode Island identified by the Point-in-Time count done by the Rhode Island Coalition for the Homeless across the State of Rhode Island has declined since 2012. Point-In-Time data from 2019 showed a total of 1,055 homeless people, down 222 from the 2012 number of 1,277 (Figure 10). Approximately 70% of homeless persons in 2019 were individuals, and the remaining 30% were family households. In 2019, 93% of homeless people were able to find shelter in either emergency shelters or in transitional housing, with only 7% of all reported homeless people remaining unsheltered.

Figure 10



However, representatives from homeless support organizations (including Better Lives Rhode Island, Crossroads Rhode Island, and Amos House) have indicated these numbers substantially undercount the true need for permanent housing. **These organizations indicated that they were contacted by more than 1,600 Providence households in unstable housing situations in 2019 alone. While these households technically are not homeless, they are at-risk of losing their permanent housing.**

The number of actual homeless and at-risk homeless households is feared to be escalating substantially due to the impacts of the COVID-19 pandemic shutdown has had on Providence and the nation. While the COVID-19 pandemic began in early 2020, the socioeconomic and housing impacts remain impossible to quantify even at the time of this report being written (Fall of 2020). As of September 2020, the RI Coalition for the Homeless found through a point-in-time count that the number of unsheltered homeless persons increased from 169 to 325, or by 92%, compared to September 2019[73]. The preliminary impacts of this health crisis also reveal that households at the lowest end of the income spectrum are being disproportionately impacted[74].

The retail, service, and entertainment sectors— whose employees have the lowest median income levels— have had the largest unemployment impacts due to the implementation of necessary social distancing protocols. The loss of income makes these households the most vulnerable as they also tend to have the least savings to carry them through extended unemployment[75]. While federal payroll protection programs have offered some relief to these households, it has not reached all households[76]. Further, reopening strategies have required those collecting unemployment benefits to return to work as benefits were terminated. Those with existing health issues, or a household member with health issues, have been put in a precarious situation—choosing between collecting a paycheck and risking their health or not returning to work and losing their income.

Financial support for homeowners who have lost jobs and landlords who have lost rental income has mitigated some impacts; however, most nationally recognized housing economists predict that foreclosures and evictions will spike once state and federal programs are halted. This has been proven true in Providence[77]. According to Kara A. Picozzi, a spokeswoman for the Providence District Court, a total of 420 eviction cases were filed from June 2nd through June 30th, 2020 for nonpayment. That adds to the 360 that remained pending prior to the courts shutting down on March 17th, 2020. Those numbers are projected to climb as the federal unemployment supplement and moratorium on evictions from federally subsidized housing (such as those receiving Section 8 housing vouchers) ended in July 2020. At the time this report was written, no additional federal benefits have been agreed to.

In response, the City partnered with Crossroads Rhode Island, Rhode Island Legal Services, and the Rhode Island Center for Justice in July on a $1-million program to provide rental assistance and legal aid to people facing imminent eviction; however, the Federal Reserve Bank of Boston released a report in May 2020 forecasting that 13% of Rhode Island homeowners and 33% of renters are at risk of missing a housing payment without the $600 weekly federal unemployment payment. If this forecasting is accurate, **more than 32,000 Rhode Island**

[73] RI Coalition for the Homeless Executive Director's Report October 2020: https://ffa4eb64-2564-454b-a2b8-d099ddd81790.filesusr.com/ugd/bd8412_92b470bb34ff4acc8d253defb4eafaa5.pdf

[74] https://news.gallup.com/opinion/gallup/311714/unequal-distribution-economic-damage-covid.aspx

[75] https://www.mckinsey.com/industries/public-and-social-sector/our-insights/lives-and-livelihoods-assessing-the-near-term-impact-of-covid-19-on-us-workers#

[76] https://abcnews.go.com/US/mass-evictions-horizon-us-confronts-coronavirus-housing-crisis/story?id=70367541

[77] https://www.brookings.edu/blog/up-front/2020/09/21/an-eviction-moratorium-without-rental-assistance-hurts-smaller-landlords-too/

homeowners and more than 50,000 Rhode Island renters are currently at risk of missing a housing payment.

While housing *affordability* concerns have long-predated the COVID-19 pandemic in Providence, the impacts already felt— and continuing to be felt— will further exacerbate challenges faced by the City's lower-income households in finding and remaining in safe, *affordable housing*.

HOUSING DEMAND ANALYSIS

1. Key Findings

Census data indicate net households have declined while total population has increased since 2010. According to the ***U.S. Census American Community Survey*** data, the number of households in Providence declined by 661 yet total population increased by 1,223 people between 2010 and 2017. This data contrasts the City's recent housing development activity, with more than 1,800 net new multifamily units being delivered since 2010. Reasons for this mismatch may include growing household sizes in Providence (meaning more people are doubling up or living together in fewer housing units than before), increasing diversity of people who have different housing demands (such as larger households), and a likely undercounting of the household data.

Providence's unique household characteristics may be skewing demand numbers. As noted, the Census data may have some limitations due to some unique characteristics of the Providence housing market. Undercounting in Census data typically occurs in communities due to large numbers of undocumented persons and college students. Both groups are represented in Providence, as was discussed anecdotally with several community stakeholders and real estate professionals. Providence has a large student population due to the number of colleges and universities. Unfortunately, accurately quantifying these households is extremely challenging and costly, and was beyond the scope of this analysis.

The City of Providence is predominantly a renter community. Approximately 65% of all households are renting within the City, according to ACS data. This finding is not surprising, as major cities tend to have more rental housing than ownership. Household formation trends indicate that the rate of homeownership has not changed since 2010 despite the strong economic recovery/growth during this time period. While the owner/renter ratio varies by subarea, only the Elmhurst/Mount Pleasant subarea has a majority of ***owner-occupant*** households.

Younger households are declining, while older households continue to increase. Despite the presence of many colleges and universities in Providence, people aged 18-24 declined by 4,408 between 2010 and 2017. Over the same period, people over the age of 65 increased by 1,738. While the increase in older people is a national trend, it does mean people may have changing housing preferences, needs for greater levels of accessibility and services, and the potential to accommodate multi-generational households. Most notably, senior households tend to be one or two people, meaning demand for housing varies by population group. The Latinx community is reported to prefer larger units to accommodate larger households while the senior and urban markets prefer smaller units.

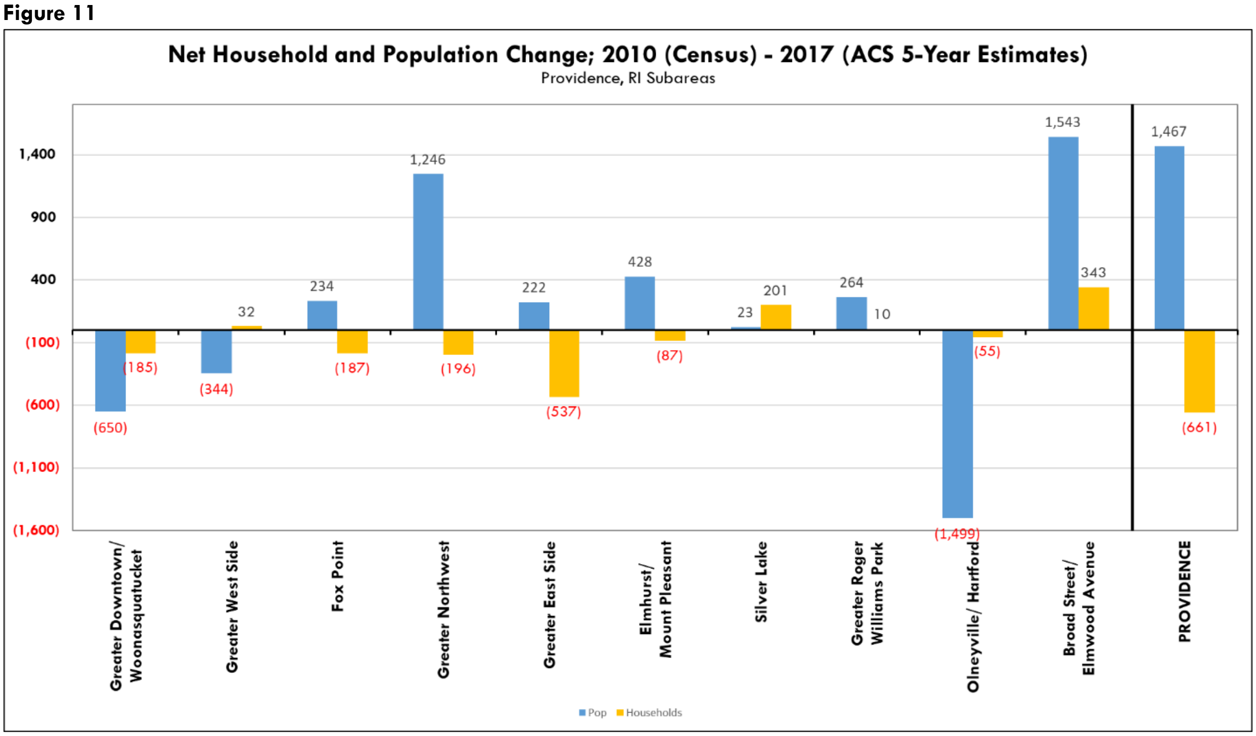
The City's renter households tend to be younger, as compared to the *owner-occupant* households. This finding is consistent with national trends, as younger households tend to have lower incomes, lack of down payment to buy, and generally prefer renting to be more mobile for work and family opportunities.

Providence's renter households tend to be *extremely low income*[78]. Almost 40% of renter households in Providence earn less than 30% of ***Area Median Income (AMI)***, which is $19,850 for a two-person household. This is higher than the percentage of renters for Rhode Island (30%) and the U.S. (25%)

2. Total Households

Although the population in Providence increased by 0.8% between 2010 and 2017, the total number of households in the City decreased by 1.1% or 661 households. Subareas like Greater East Side (537 households) and Greater Northwest (196 households) saw the largest declines in households while Broad Street and Silver Lake saw the highest at 343 and 201 households, respectively (Figure 11). Interestingly, several subareas across the City saw population increases alongside household decreases which indicates changes in household size and composition. For example, in the Greater Northwest subarea population increased by 1,246 people while households declined by 196.

Figure 11



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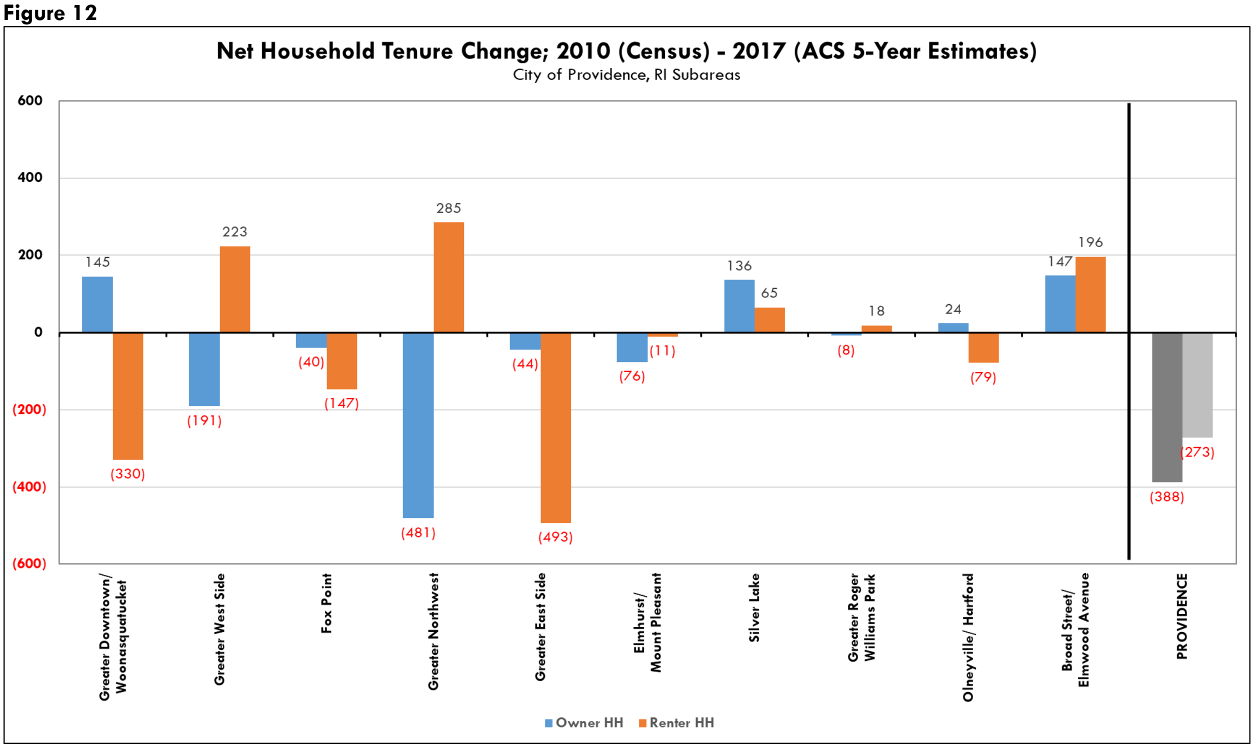
78 ***Extremely low income*** is a ***HUD***-defined term that includes all households that earn less than 30% of ***Area Median Income (AMI)***.

However, it is likely that the City's household count does not accurately reflect actual numbers. The U.S. Census household data does not include households that are not reported or counted during the decennial Census or annual surveys. Most notably, households headed by undocumented persons or out-of-area college students are typically not represented in this data. It was reported anecdotally by local real estate professionals that Providence has a concentration of both. Unfortunately, there really is no way to accurately count those households without a door-to-door survey. Based on conversations with local experts and housing advocates, the study likely is undercounting Providence households by several thousand.

3. *Housing Tenure*

In 2017, about 35% of households in Providence owned their homes and 65% of households were renters. That percentage split has remained unchanged since 2010 despite the strong economic recovery regionally and nationally. While Census data indicate that both owner and renter households declined between 2010 and 2017, there were some neighborhoods that saw increases in one or both. Four of the ten subareas saw a net increase in ***owner-occupant*** households, including Greater Downtown/Woonasquatucket and Broad Street/Elmwood Avenue (Figure 12).

Figure 12



The Greater Northwest neighborhood saw the largest decline in owner households (481 households) while experiencing an increase of 285 renter households. Interviews with local real estate professionals indicate this likely is due to conversion to rental, particularly near the Providence College campus. In contrast, the Greater East Side subarea saw an increase in ownership and a decrease in renter households. In this case, the local real estate professionals indicated that increasing property values have made some of these units more valuable to sell to ***owner-occupants*** than maintain as rentals.

In both cases, the market dynamics of the local area drove housing occupancy. From a housing strategy perspective, the marketplace is focused on the highest value options. In some cases, it is the greater ***ability to pay*** from college students. In others, its maximizing net present value. Unfortunately, both scenarios adversely impacted lower income, non-student households in Providence.

4. Tenure by Age of Householder

The dynamics of owner- and renter-occupied housing by the age of the primary householder in Providence closely follow patterns seen in many urban areas around the country. Younger householders are more likely to rent their homes compared to their older counterparts who are either long-time homeowners and/or have the financial capacity to enter the homeownership market. In Providence, there has been growth in renter households headed by people ages 25 to 34 and a decline in the number of owners under the age of 34 (Figures 13 and 14). Interestingly, the City has seen strong demand in the rental market driven by people over the age of 55 (Figure 15). This could be attributed to the newer housing stock being created in the City (primarily one-bedroom rental housing) and the increasing desire of older people to find maintenance free housing options. Given the recent increase in Providence's older population, it is reasonable to expect these trends to continue.

Figure 13

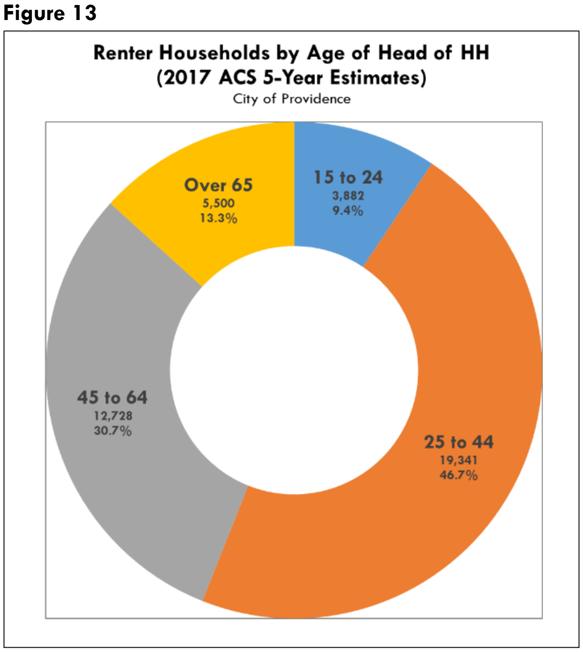


Figure 14

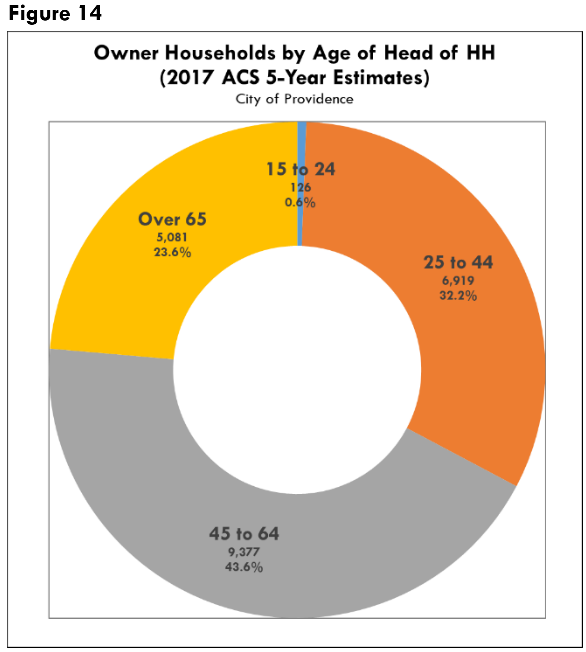
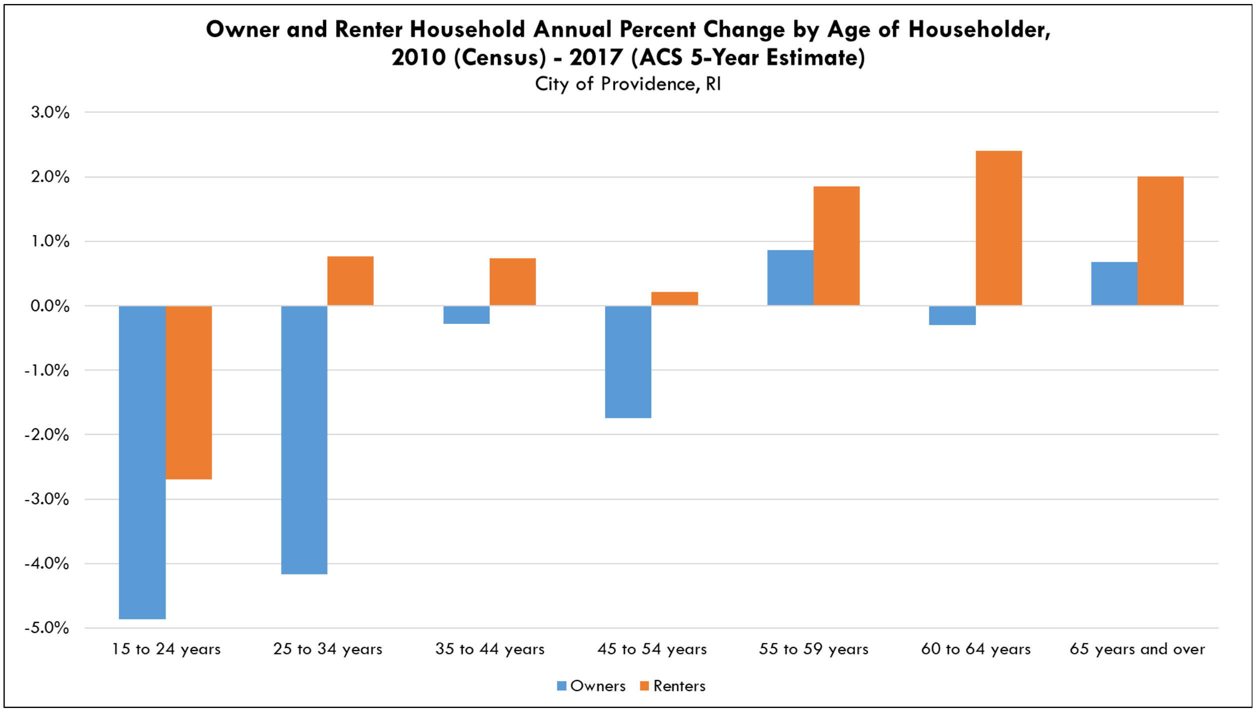


Figure 15



Owner and renter household dynamics are almost complete opposites when looking at householder ages. In 2017, 56% of renter households were headed by someone under the age of 44. For owner households, 67% of households were headed by someone over the age of 44. Ownership by age patterns tend to favor older households who typically have higher household incomes, access to a down payment, and established credit to secure a mortgage. These trends are also likely to continue given the City's current development pipeline which is focused on smaller rental units in the Greater Downtown/Woonasquatucket subarea.

Figures 16 and 17 show the net change of households by age and tenure between 2010 and 2017. Over the seven-year period owner households have declined except for owners over the age of 65. This is likely the result of those older residents aging in place in homes they already own in the City. On the rental side there has been household growth across every age cohort except those under the age of 24. This is also commensurate with the population by age data showing people ages 15 to 24 declined substantially over that same period.

Amongst the ten subareas, four experienced a substantial increase of renter households headed by someone over the age of 65. The Greater West Side, Silver Lake, Olneyville, and Broad Street subareas all had increases over 20% with Broad Street experiencing an increase over 40%. Conversely, on the owner-occupied side the Greater Downtown, Silver Lake, and Olneyville subareas saw increases between 20 and 40% of householders between 25 and 64 years of age. The Greater Downtown subarea saw an increase of over 40%.

Figure 16

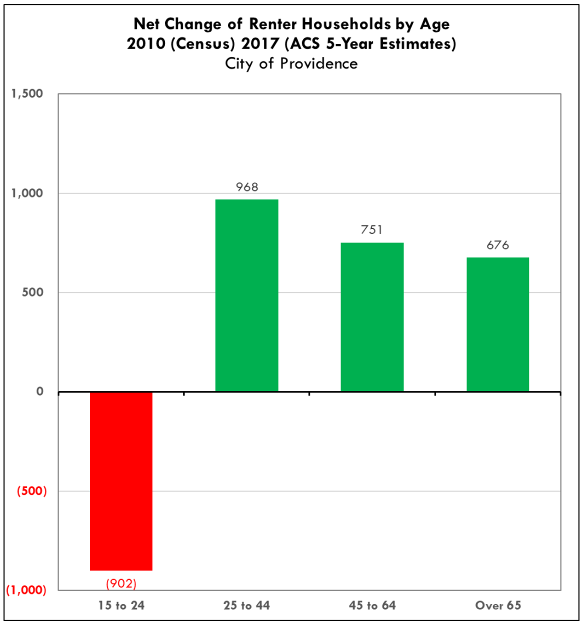
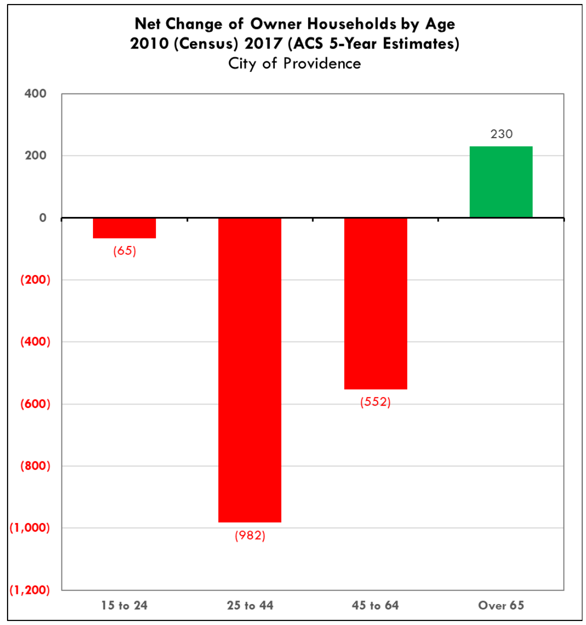


Figure 17



5. Tenure by *Area Median Income (AMI)*

Renter households in Providence are disproportionately impacted by lower incomes compared to owner households. Almost 40% of renter households earn less than 30% of *AMI* for a two-person family ($19,650) and more than 55% earn less than 50% of AMI ($32,800) (Figure 18). These incomes equate to the ***ability to pay*** $491 and $820 per month, respectively, without becoming ***cost burdened***. **In 2017, only 37% of all rental units were priced to households earning $32,800 a year or less, leaving a large gap in the number of units needed to adequately supply *affordable housing* to those households.**

Looking at owner-occupied households by AMI, 50% have incomes over 100% of AMI which translates to purchasing power of $188,500 for an FHA buyer or $225,600 for a conventional buyer. Within Providence, approximately 60% of all single-family homes are priced affordably to a household at or above 100% of AMI and using an FHA mortgage (Figure 19). That means there are potentially more houses available to higher income home buyers and far fewer rental units available to lower income renters.

Figure 18

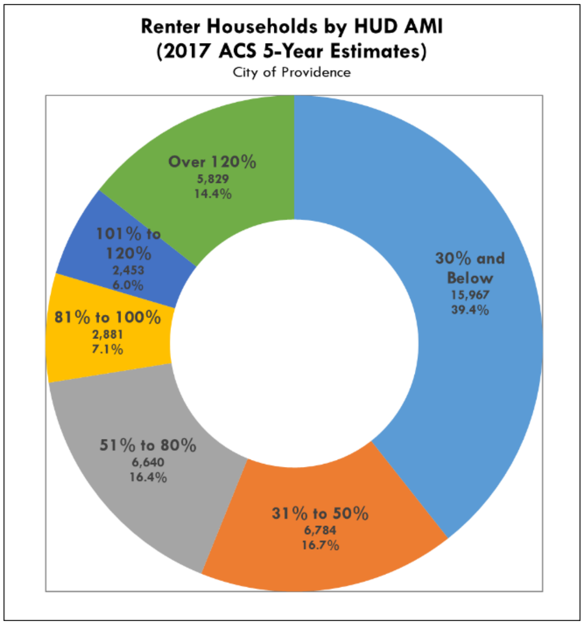
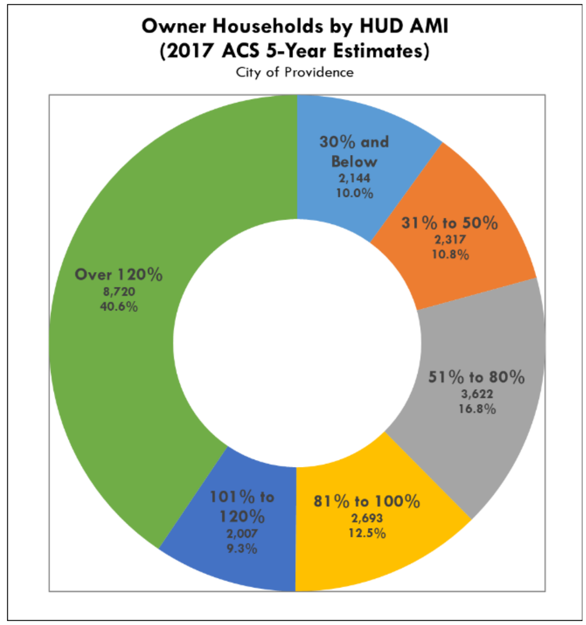


Figure 19



Since 2010, housing values have appreciated across the City but those with the greatest choice are moving outside of Providence. Households with incomes over 100% of AMI are a shrinking segment of the City's homeowner pool. The same can be said for owners at or below 80% of AMI (Figure 20). On the rental side, new construction continues to attract higher income residents, particularly to the Greater Downtown/ Woonasquatucket subarea. Growth in renter households earning over 120% of AMI reached 6.7% between 2010 and 2017 (Figure 21).

Figure 20

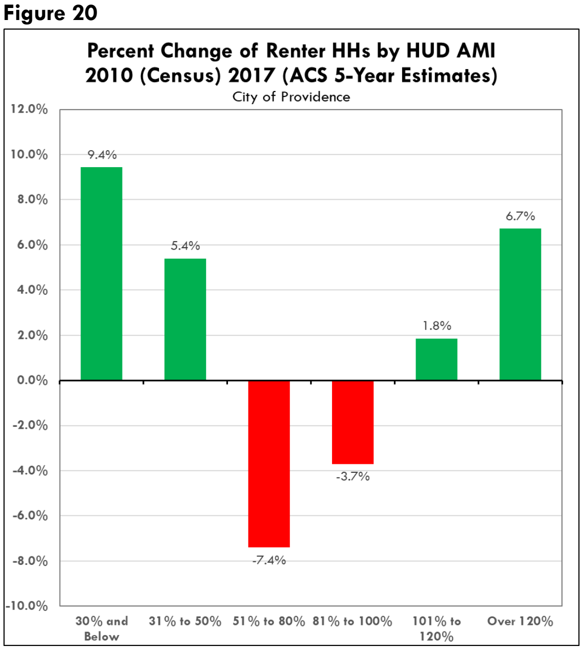
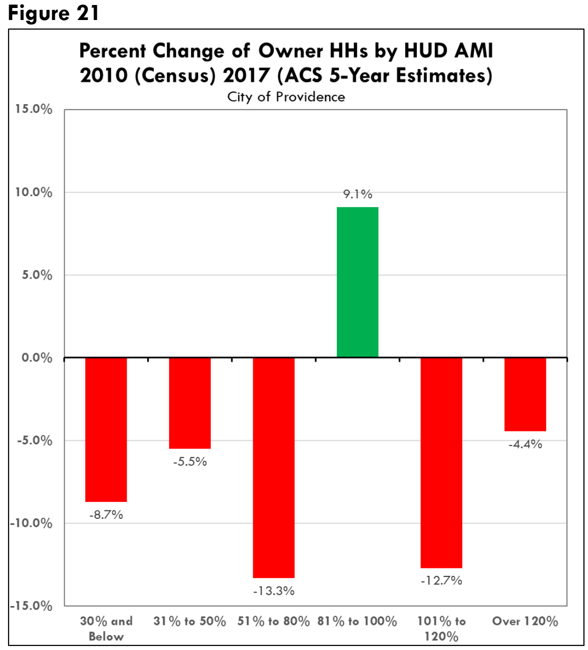


Figure 21



In addition, the City saw increases of renter households at the lowest income bands as well. Renters at or below 30% of AMI increased over 9% during that time, speaking to the continued need and demand for deeply ***affordable housing*** options or subsidies, which the City of Providence offers the largest supply within Rhode Island.

6. Household by Size by Tenure

Most of Providence's households are less than two persons. Over 50% of both owner and renter households are comprised of one- and two-person households (Figures 22 and 23). For renter households, that figure is over 62%. This finding is not surprising given most rental units and households tend to be smaller in size, particularly in an urban area like Providence.

Figure 22

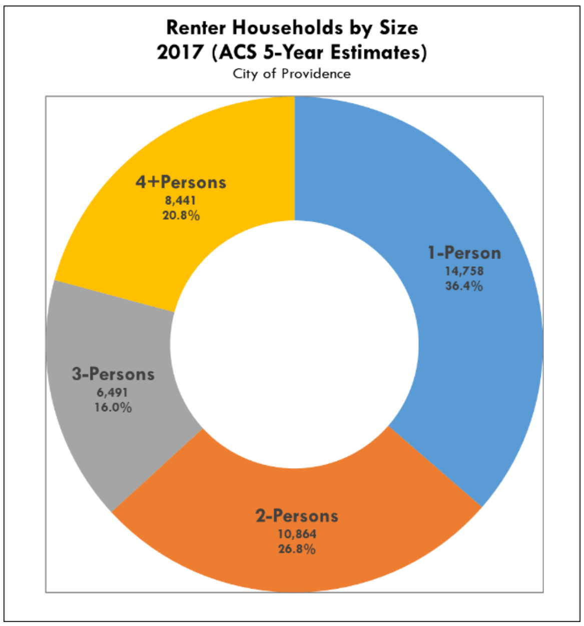
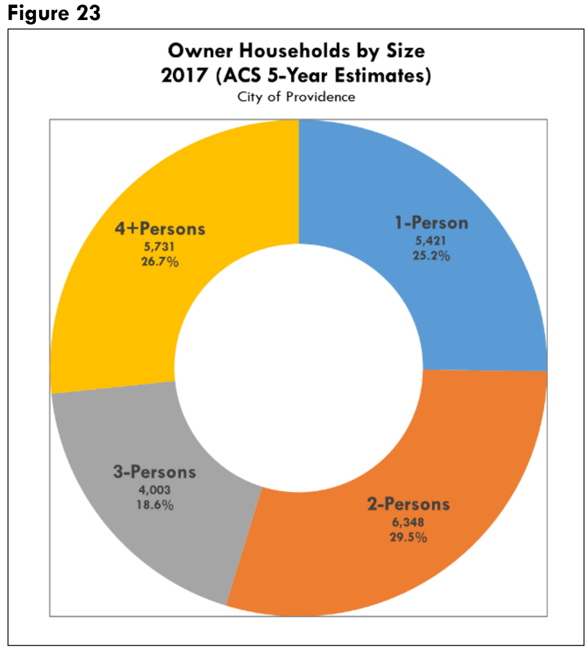


Figure 23



From a housing demand perspective, most of the growth occurred in 1- and 2-person renter households (Figure 24). This is consistent with regional and national trends. Those smaller households increased by 1,269 (5%) over the same seven-year period. The growth in smaller households on the renter side can be attributed to a growing number of senior householders and urban dwellers who are renting newly constructed units in subareas like Greater Downtown/ Woonasquatucket. This trend is likely to continue going forward as the population continues to age and new development focuses on smaller rental units.

From the ownership household perspective, household growth has been greatest in three- and four-person households (Figure 25). However, the City experienced significant losses in households with five or more people. Those larger households declined by 835 (26%) between 2010 and 2017. The City also experienced a net loss in smaller ownership households as well. While the decline in smaller ownership households is consistent with national trends, where older, smaller households seek alternative living arrangements after retirement or children move away, the decline in the largest homeownership households indicate that family households are leaving Providence.

Figure 24

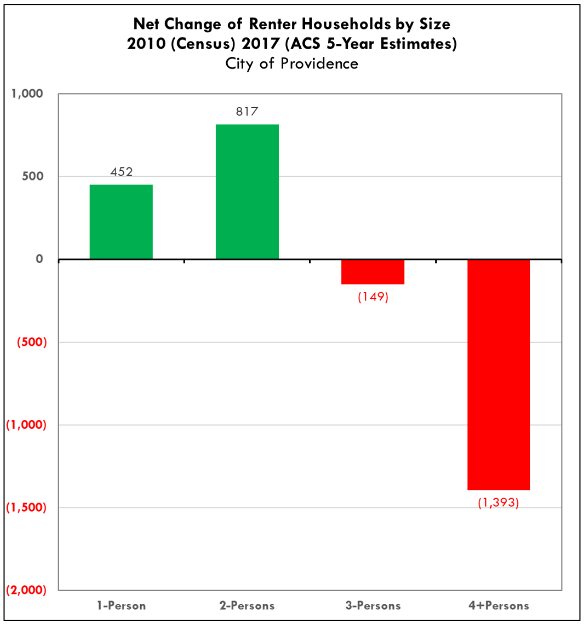
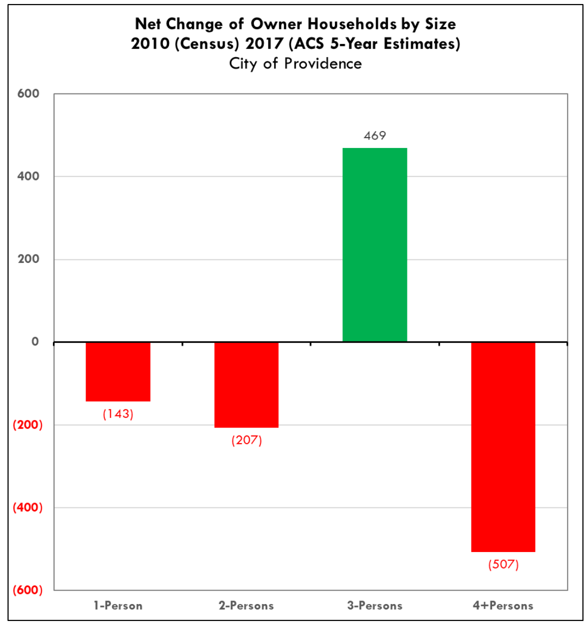


Figure 25



When considering the data in whole, this finding is not surprising. For example, the conversion of traditional ownership units in the Greater Northwest subarea detailed earlier would fit. Given the City's relatively lower performing schools, the upward pressure of rental rates near Providence College could motivate a family household to move and seek housing in a higher-performing school district (whether in Providence or elsewhere in the region).

Owner and renter household composition vary by subarea as well. For example, in the Greater Downtown subarea both owner and renter households are dominated by one- and two-person households comprising 83% of owner households and 95% of renter households. Conversely, areas such as Olneyville/Hartford and Broad Street/Elmwood Avenue have nearly 62% of owner households and 43 to 48% of renter households with three or more people. This is driven primarily by the types of housing available in these neighborhoods.

7. Average Household Size by Tenure

At a time when many urban areas are seeing household sizes decrease as a result of new construction of studio, one-, and two-bedroom units, Providence has seen an increase in its average household size from 2.63 to 2.66 persons per household. This was driven primarily by an increase in renter-occupied average household sizes. Owner-occupied size has dropped since 2000 despite experiencing a slight increase between 2010 and 2017. Figures 26 and 27 show the increases in average household size for owner- and renter-occupied households since 2000.

Figure 26

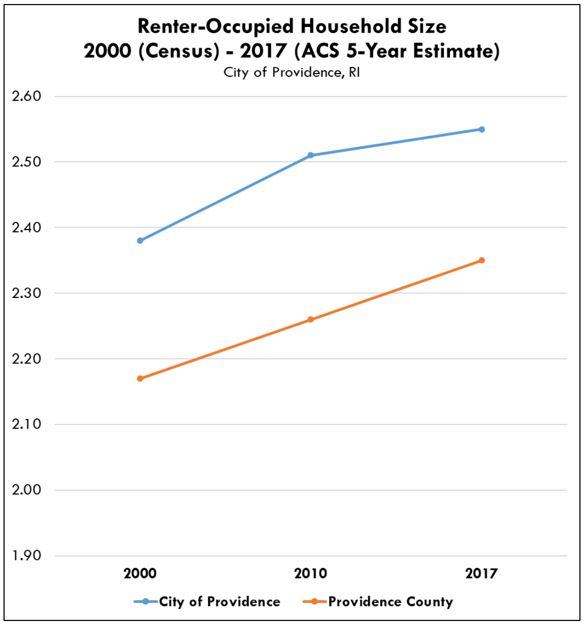
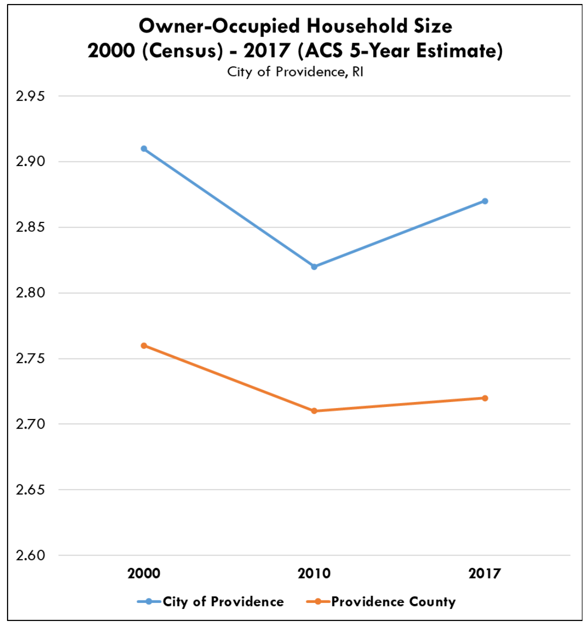


Figure 27



While the increase in household size of both owner- and renter-occupied households is consistent with the increase in total population and decrease in total number of households from 2010 to 2017, it is not consistent with regional and national trends. As noted, there are very distinct markets within Providence. The largest active market is lower-income, predominantly Latinx households that tend to be larger. This demand pool is most active in the larger two-family and three-family structure marketplace. The smaller active market is the aging households and urban dwelling households that tend to have fewer members. These households tend to be consuming newly constructed units, particularly smaller multifamily units being developed in the Downtown/Woonasquatucket market.

More notably, the increase of renter household size despite the net decline in the number of 4+ person households indicates that larger households that remain are growing in terms of the number of people per household. While this trend is not common in most housing markets, it is common in communities with high concentrations of ***extremely low-income*** households and high concentrations of ***cost-burdening***. Providence has both of these conditions. In these instances, the lowest income households are forced to combine into a single housing unit in order to be able to afford housing. Anecdotal data from real estate professionals, housing advocates, and existing renters in Providence corroborates that household merging is prevalent. The 2018 American Community Survey estimated that 12,262 households in Rhode Island are "doubled up and living in poverty", a statistic that is growing locally and nationally.

The larger family household marketplace appears to be driving the change in average household size. From a housing strategy perspective, there is need for both family-sized rental and ownership units in the future as well as smaller rental and ownership units. However, these products target much different clientele.

HOUSING SUPPLY ANALYSIS

1. Key Findings

The City of Providence's housing stock is diverse. Providence has a wide variety of housing options, with urban core neighborhoods, suburban neighborhoods, and transitional neighborhoods. Downtown and the Woonasquatucket Corridor tend have more diverse housing, including high-density multifamily housing while the City's outer areas are more suburban in nature with comparatively higher concentrations of single-family housing and fewer multifamily units

The City's unique housing stock lends to its comparatively high renter rates. Providence's large number of two-family, three-family, and four-family properties also create both ownership opportunities as well as rental housing units. Two- and three family properties account for 40% of Providence's supply, with two-family properties being 50% owner-occupied and three-family properties only approximately 33% owner-occupied.

Only 40% of units in Providence can be owner-occupied without substantial condominium conversions. The nature of the City's housing stock limits how many homeowners can be accommodated without new ownership construction or converting existing multi-unit properties into condominium developments. Real estate professionals indicate current housing preferences in Providence are not strong enough to support conversions, but widespread conversions would have a substantial impact on the housing rental market equilibrium if the City's housing fundamentals change.

New housing construction has been concentrated in multifamily housing. According to the City's property assessment and development pipeline databases, 86 percent (1,924 of 2,233 units) of new construction between 2010 and 2019 has been multifamily housing. This finding is consistent with most urban communities, as developing low-density housing is not cost effective due to high land and construction costs. Further, redevelopment of already built properties requires greater density to be profitable.

The Greater Downtown/Woonasquatucket subarea realized almost 30% of new development since 2010. This reflects the opportunities provided by adaptive reuse of larger buildings in the City's core as well as the land opened up by the I-195 relocation. Further, national market data indicate there is strong desire to be in walkable, transportation-accessible locations like Downtown Providence.

Most recent *income-controlled* housing development has been concentrated in subareas that already have concentrations of *income-controlled* housing. The Olneyville/Hartford and Broad Street/Elmwood Avenue subareas account for 7,126 of the City's 12,787 ***income-controlled*** housing units, or approximately 47 percent of the City' total ***income-controlled*** supply despite only accounting for 24 percent of the City's overall housing supply. Since 2010, almost 80% of newly constructed ***income-controlled*** housing units were built in these two subareas. While not directly a challenge for the City, concentrating ***income-controlled*** housing in specific areas adversely impacts housing access and housing choice within Providence.

According to information from the City of Providence, there are 1,849 housing units planned and proposed with 820 currently under construction. Most of known future development projects are anticipated to be multi-family rental located in the Greater Downtown/ Woonasquatucket, Greater West Side, and Greater East Side subareas. Development patterns for these units closely reflects existing development patterns, with activity greatest in areas where activity is already strong and ***income-controlled*** units concentrated in areas that already have high concentrations.

2. Housing Units by Type

Much of Providence's housing stock, like many other urban cities, is concentrated in multi-family structures targeted towards renters. According to the City's property assessment database, only 19.3% of the City's 76,462 housing units are single-family homes (Figure 28). Consistent with many New England cities, a large proportion of Providence's housing stock is in two-family and three-family units (44.6%). Multifamily structures contain more than 25%, or 19,455 units, of the City's total housing units. Age restricted (4.1%) and supportive housing (0.4%) constitute the remaining units. The City's assessment data also identified 5,187 dormitory spaces, representing local colleges' and universities' on-campus housing.

Two- and three-family housing typologies offer a range of prices, ownership and rental options, and even opportunities to supplement income by renting units in owner-occupied buildings. More than 50% of the City's rental units are located in two- and three-family structures, illustrating the importance of the "triple decker" to the City's housing stock and early built form.

Housing typology diversity varies from subarea to subarea with some having higher concentrations of certain housing types than others. For example, Figures 29 and 30 show the number of single-family and multi-family housing units across the ten subareas in Providence. Single-family housing units tend to be clustered in the neighborhoods further from Providence's urban core, which is consistent with building patterns in large cities. Conversely, multi-family properties tend to be clustered in and around the Greater Downtown/Woonasquatucket subarea where higher density is accepted and encouraged.

Figure 28

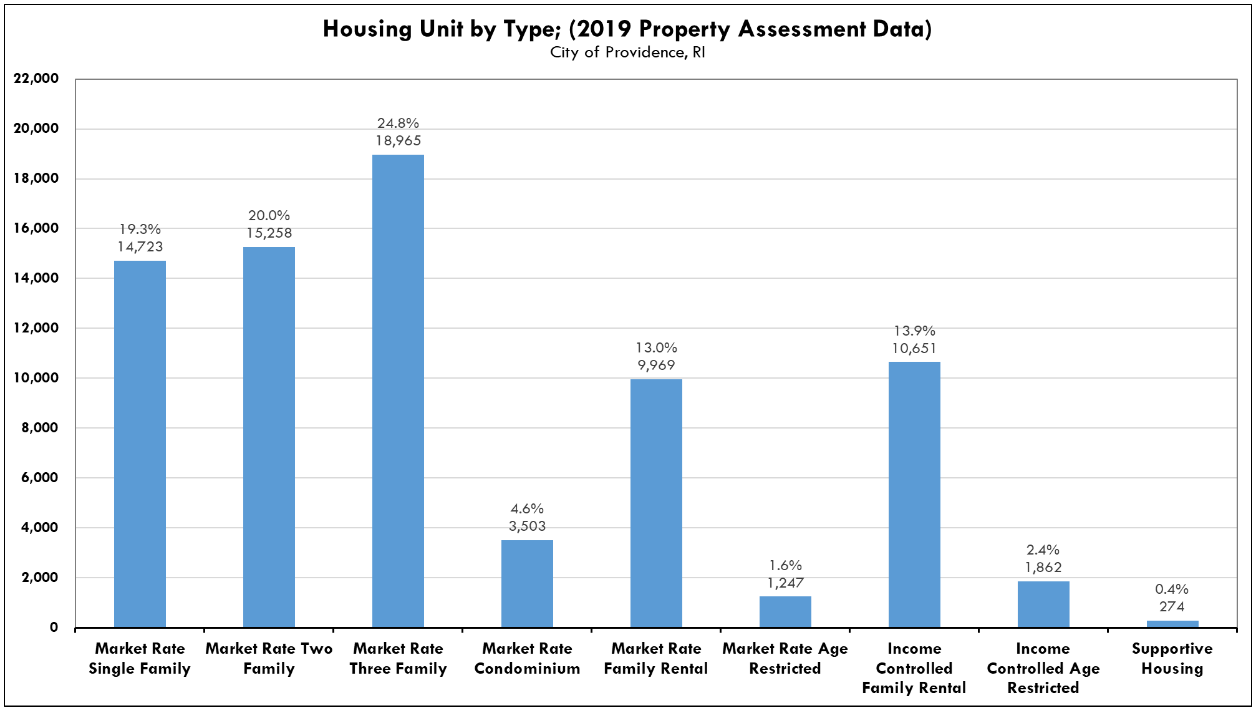


Figure 29

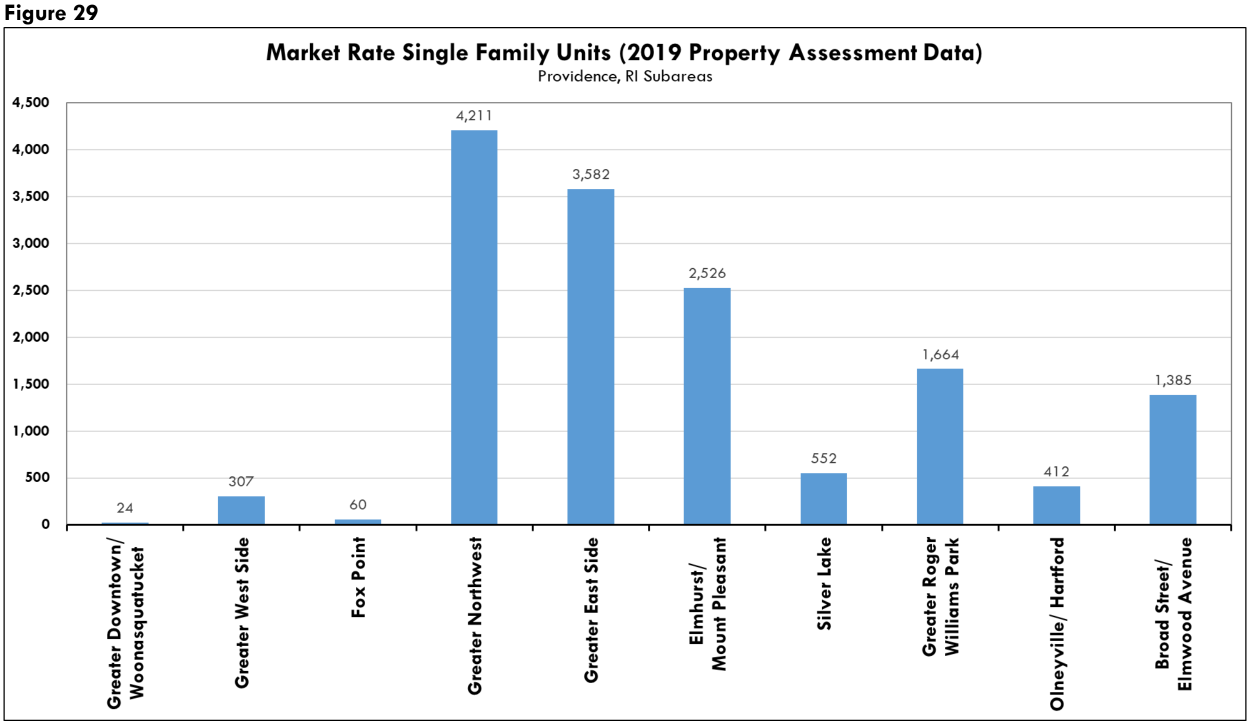
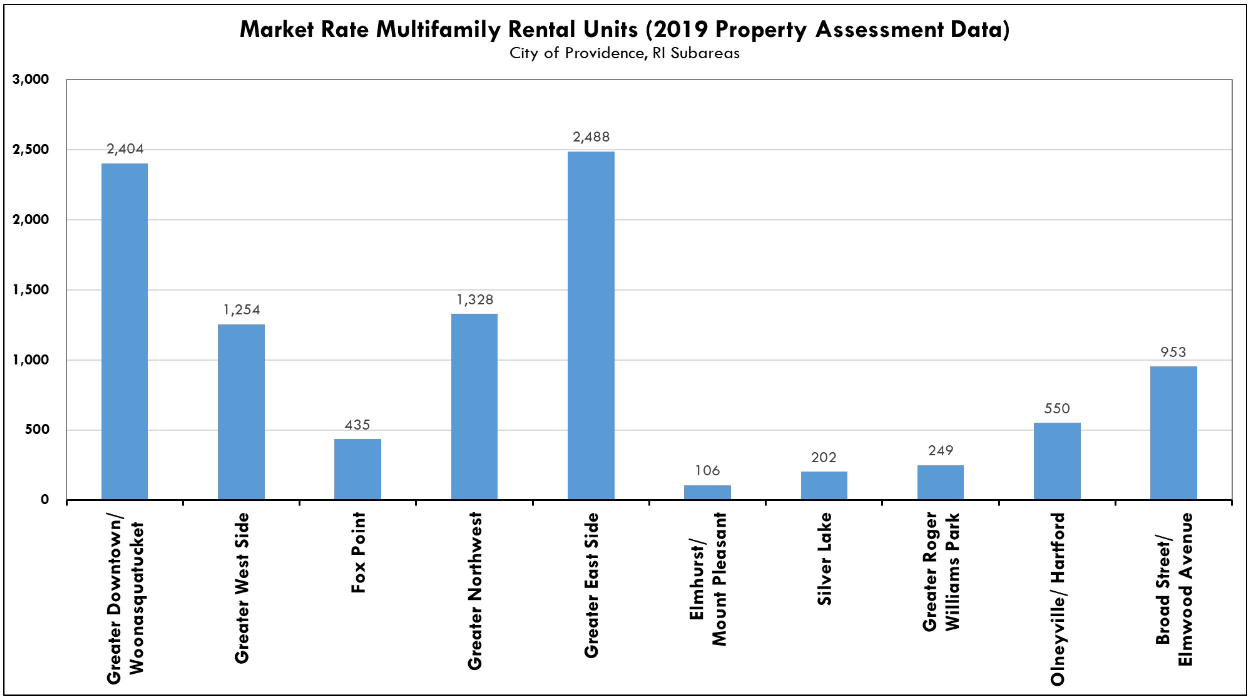


Figure 30



3. *Income-controlled* Housing

Looking at housing unit data at a more granular level, the City of Providence's assessment database breaks out unit types by ***market rate*** and ***income-controlled***, as well as by type of structure. According to the assessment data, 64% of all market rate housing units are in single-, two-, and three family structures with two- and three-family structures housing 45% of all units. There are only 3,109 age restricted units in the City compared to 10,581 households headed by someone over the age of 65. As this age cohort continues to grow, housing designed for and priced appropriately to households in this age cohort should be given strong consideration.

As of 2019, approximately 12,800 housing units (16.3%) were designated as income controlled, restricting occupancy to households at or below specific *AMIs*. In contrast, more than 22,700 renter households living in the City earned at or below 50% of AMI, the threshold required by *HUD* to qualify for Section 8 rent subsidies.

The distribution of ***income-controlled*** housing is not uniform throughout Providence. The Broad Street/Elmwood Avenue and Olneyville/Hartford subareas account for 7,126 of the City's 12,787 ***income-controlled*** housing units, or approximately 47% of the City' total ***income-controlled*** supply. In comparison, these two subareas account for 24% of the City's overall housing supply. The Fox Point, Greater East Side, Elmhurst/Mount Pleasant, Silver Lake, and Greater Roger Williams Park subareas total 10.2% of the ***income-controlled*** supply while representing 35.6% of the City's overall housing stock (Figure 32).

Figure 31

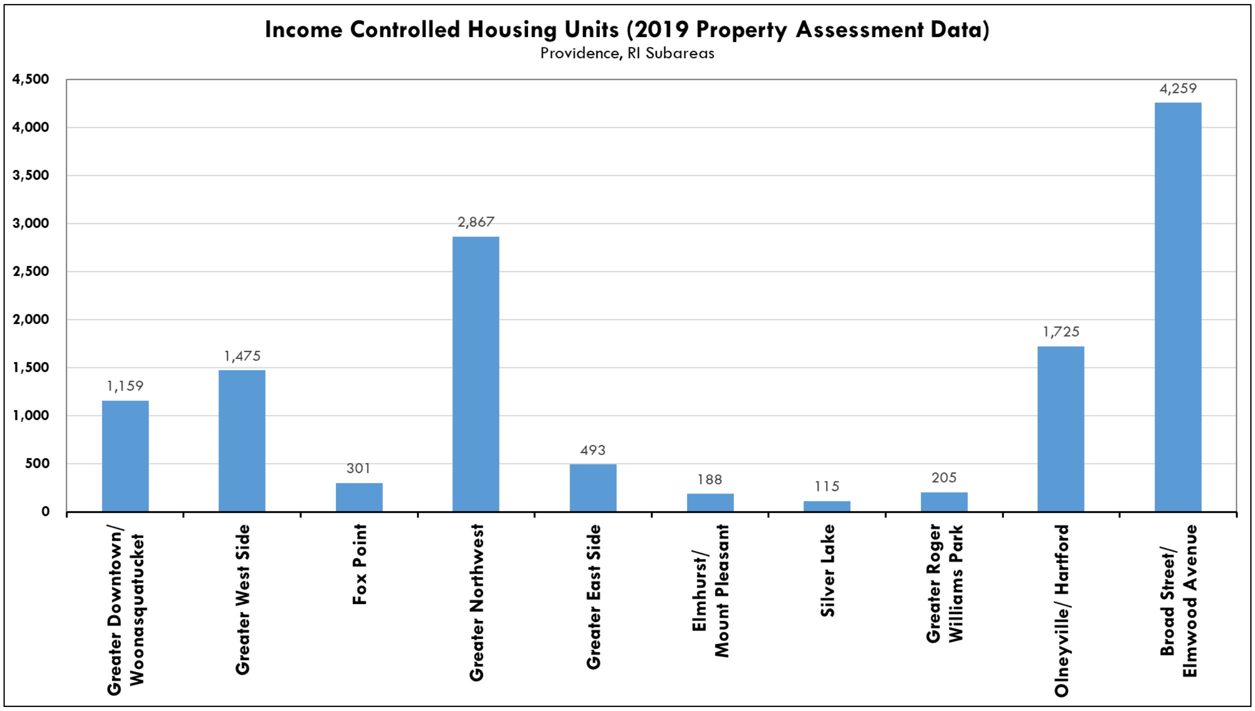
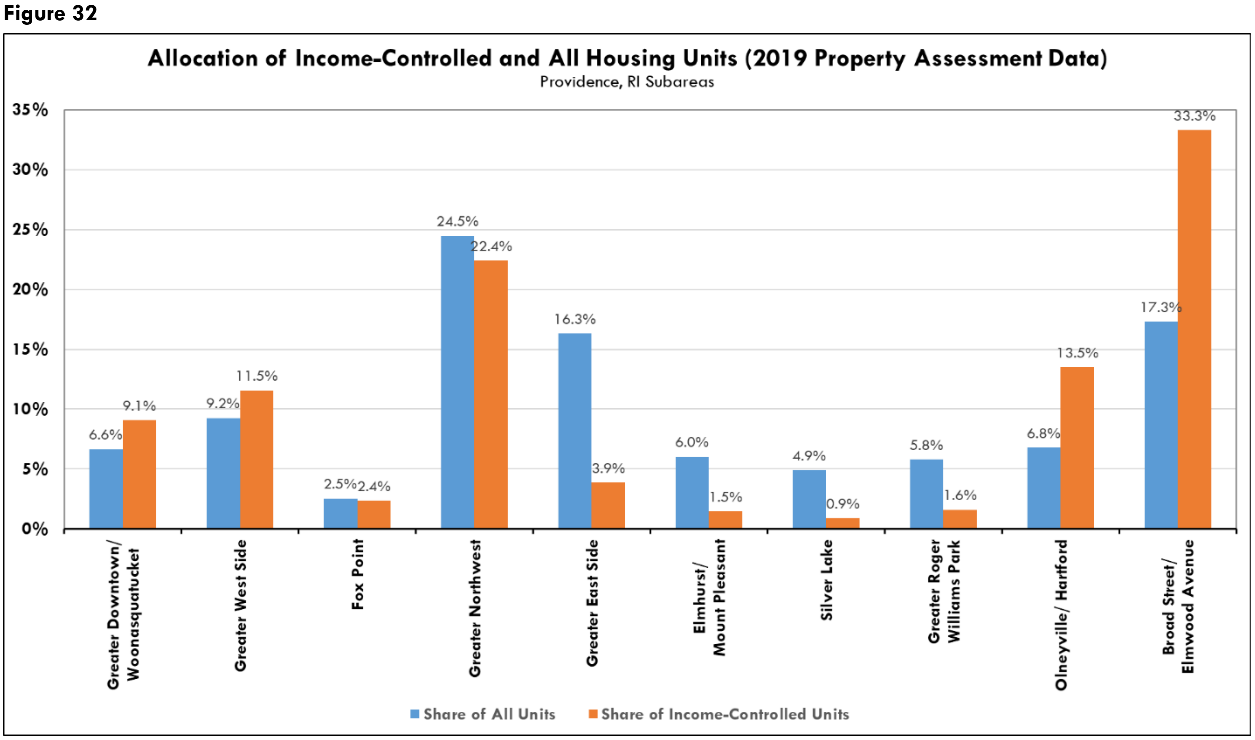
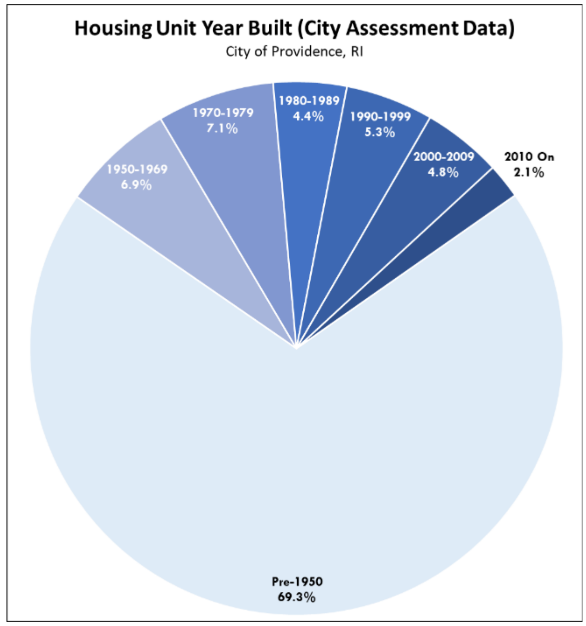


Figure 32



4. Housing Units by Year Built

Figure 33



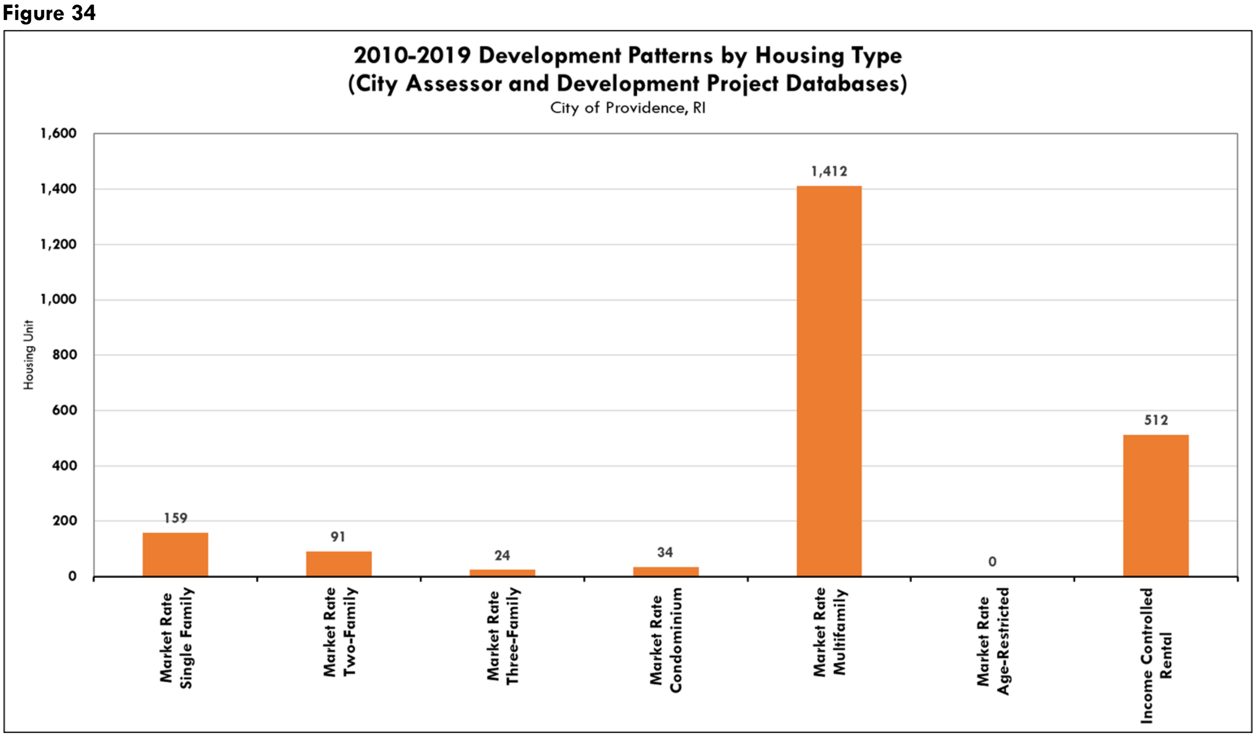
Much of Providence's existing housing stock is very old. Nearly 60% of housing units in the City were constructed prior to 1950, and more than 83% were constructed prior to 1979. In contrast, approximately 2% of the City's housing supply was built since 2010 (Figure 33). This places Providence's housing stock among some of the oldest in the country. While not a direct indicator of housing condition on a property by property basis, the age of the City's housing stock can create issues for owners and renters alike around on-going maintenance, rehabilitation for newly purchased units, and accessibility for those with disabilities or mobility challenges. For example, units constructed prior to 1978 may have issues with lead paint, as that product was not yet banned by the federal government. Participants in the housing strategy process indicated that rehabilitation is prevalent throughout the City, with specific areas known for their restoration efforts. That said, those areas tend to be more affluent neighborhoods, and parts of the City with higher concentrations of modest-income households are not as well updated.

There are more owner-occupied units constructed prior to 1979 than there are rental units, although not by much. Just over 86% of all owner-occupied units in the City were constructed prior to 1979 versus 82% for rental units. These figures also vary by subarea. For example, in the Greater East Side subarea 92% of all owner units were constructed before 1979 compared to the Greater Downtown subarea with a much newer stock of ownership units with only 57% constructed prior to 1979. On the rental housing side, the Greater Roger Williams Park subarea has 96% of its rental housing stock constructed prior to 1979. Even in the Greater Downtown subarea where rental housing has been a focus for new development, that subarea still has 77% of its housing stock built prior to 1979. Given the age of Providence's overall housing stock, there needs to be a focus on rehabilitation of the older, more ***affordable housing*** stock while also encouraging new housing in some subareas.

5. Recent Development Trends

According to Providence's assessment database and the City's project tracker database, there were 2,232 new housing units constructed between 2010 and 2019. Of those new units, 63% (1,412 units) were new market rate multi-family units with another 23% (512 units) classified as income controlled rental housing (Figure 34). This development pattern is consistent with urban areas around the country that have seen a focus on larger-scale multi-family rental and condominium projects. Despite the focus on multi-family housing, there were still 274 new single-, two-, and three-family structures constructed in the City over that period. Development activity across the subareas over the last nine years has not been dispersed, instead concentrated in the subareas with existing patterns of development intensity and market attraction. Most notably, the Greater Downtown/Woonasquatucket subarea had 655 market rate multifamily housing units built, predominantly due to the I-195 relocation (Figure 35). The Greater West Side, Greater East Side, and Broad Street/Elmwood Avenue subareas each saw 300+ units of market rate and/or income controlled multi-family units built. For Greater Downtown/Woonasquatucket and Greater East Side, this follows a continued pattern of reinvestment and development activity bringing additional units to areas of the City with high demand. In the Greater East Side subarea, it was reported that demand for residential units was very high and resulting in new residential units driven primarily by market rate multi-family, but also includes some single-, two-, and three family structures. Figure 32 illustrates the breakdown of unit types by subarea.

Figure 34



The development of ***income-controlled*** housing since 2010 was concentrated in the same subareas that already have high concentrations. Most notably, the Broad Street/Elmwood Avenue subarea saw the largest increase of new ***income-controlled*** units since 2010 at 280, or 55% of all new ***income-controlled*** units (Figure 36). In fact, only five of the ten subareas saw any ***income-controlled*** unit development which could be leading to concentrations of ***income-***

controlled units in certain areas of the City. Many of the subareas with higher home values and larger percentages of owner-occupied housing saw no ***income-controlled*** units built.

Figure 35

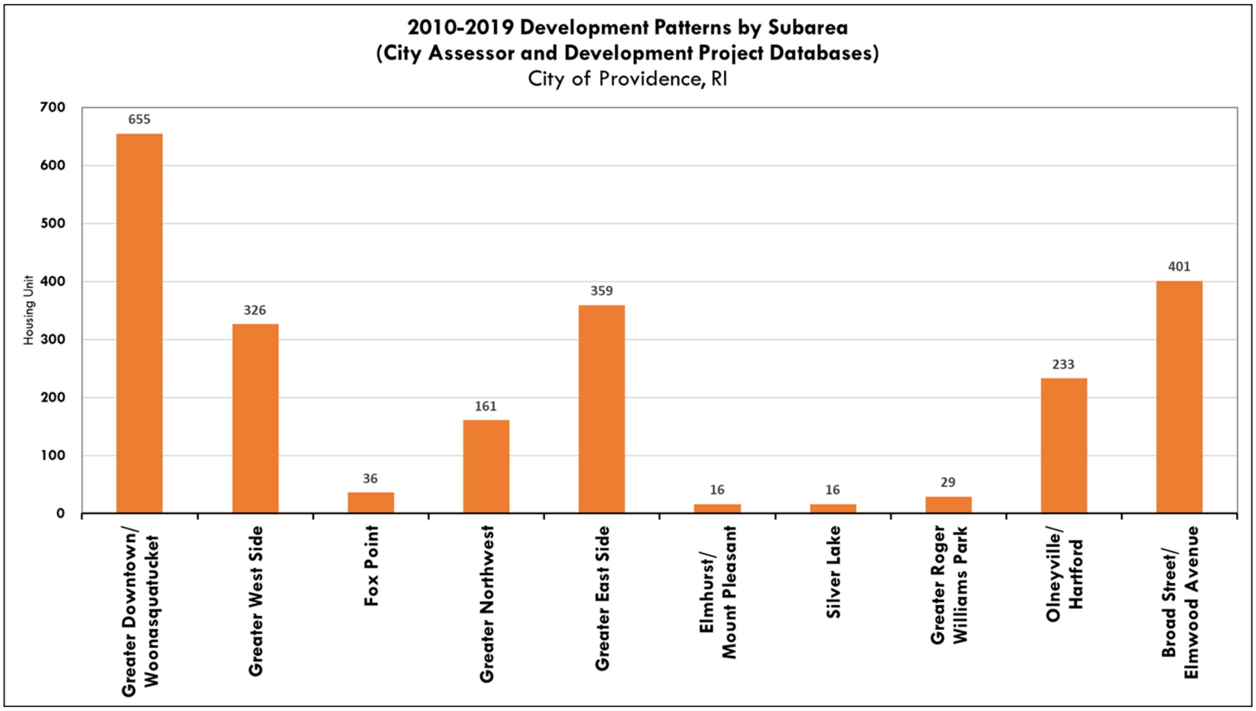
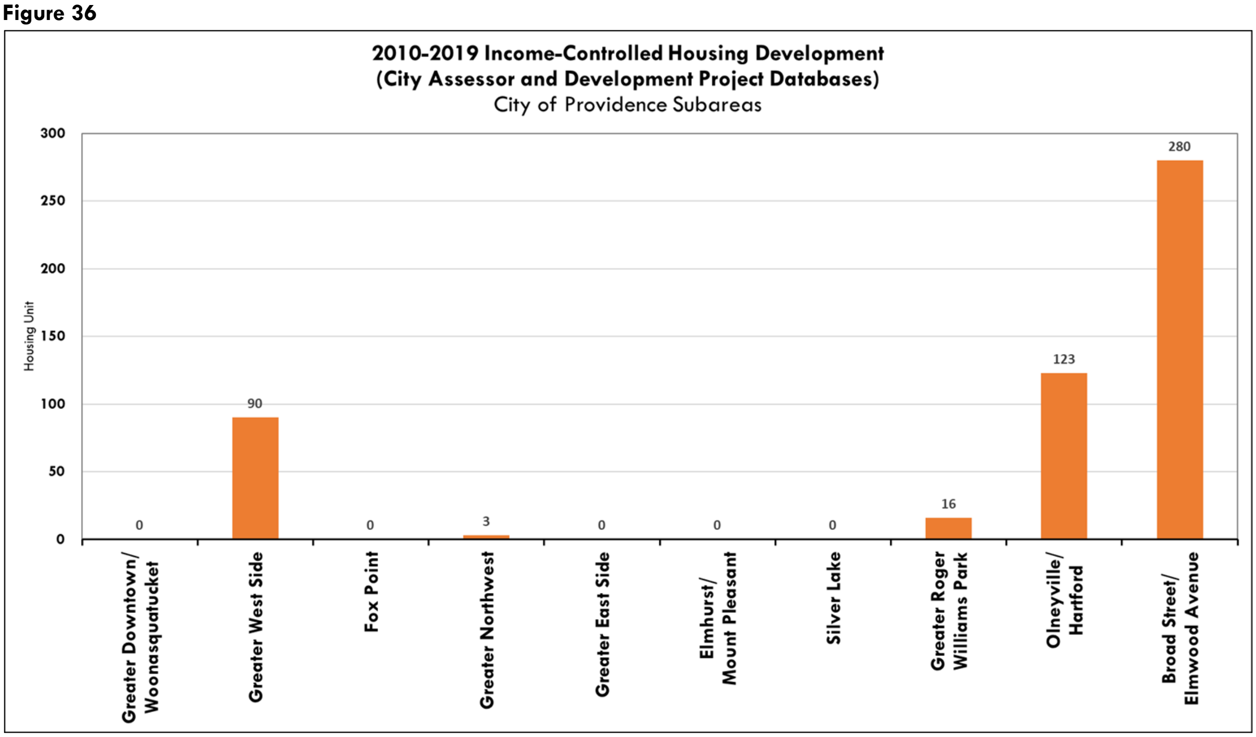


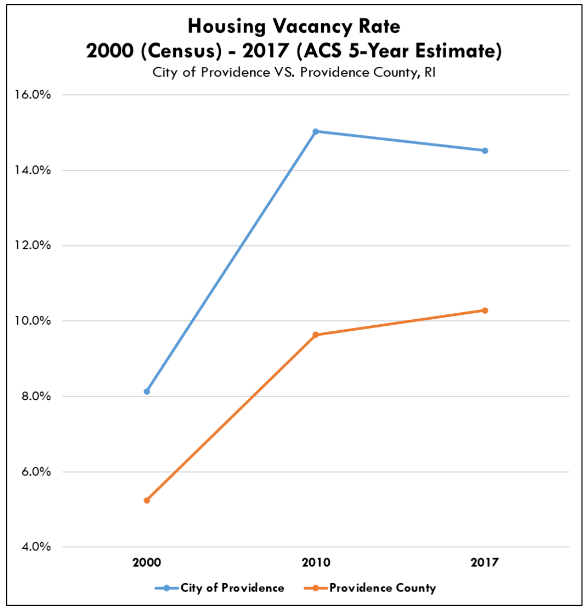
Figure 36



6. Vacancy

The economic downturn during the late 2000s adversely impacted the Providence housing market. The City's residential vacancy rate increase nearly doubled between 2000 and 2010, going from 8% to 15% (Figure 37). Despite the economic recovery following the Great Recession, Providence's vacancy rate continued to hover just under the 15% mark.

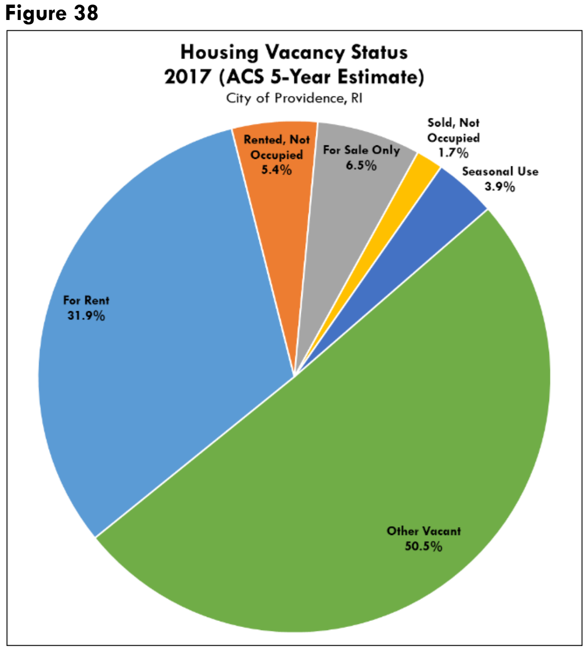
Figure 37



The City's housing vacancy rate historically has been above Providence County. Vacancy rates for the County have ranged from 3% to 5% below Providence since 2010. While the County experienced a similar impact from the Great Recession between 2000 and 2010, the County's vacancy continued climbing since 2010. The difference most likely is the difference in ***housing tenure***[79]. **The City's larger (by share) rental housing market likely has allowed it to recover more quickly than the County. Further, Providence's strong rental housing market also made it easier for speculators to acquire foreclosed properties and put them on the rental housing rolls.**

In Providence, the vacancy rate is primarily driven by two categories: "Other Vacant" and "For Rent" vacant units (Figure 38). In 2017, 37% of all vacant units were either vacant for rent or rented but not yet occupied. The Census data indicate that vacant rental units totaled 3,364 units, or approximately 8% of all rental units. A typical market with health levels of vacancy and absorption should have a vacancy rate of between 3 and 5%.

Figure 38



The "Other Vacant" category driving vacancy are units that are not currently occupied for a wide range of reasons, which include units undergoing substantial rehab, title issues, foreclosure, owner is no longer occupying the property, abandonment, and more. Because

[79] ***Housing tenure*** refers to whether a housing unit is rented or owned by its occupants.

the "Other Vacant" category is broad reaching, it is impossible to know if these units are typically rental or ownership. In most communities, this category usually accounts for the highest percentage of vacant units because it captures such a wide range of vacant property types. In Providence, there are 5,332 units classified as "Other Vacant". Approximately half of all "Other Vacant" are located in the Greater Northwest and Broad Street/Elmwood subareas.

It is important to note that several participants in the housing strategy process expressed concern about the noted vacancy rate for rental and ownership housing. These participants indicated vacancy rates are lower than being reported by the Census and through this analysis. This is possible, and even likely, to be the case. Census data is an estimate averaging data for the years of 2013 to 2017. It does not include more recent years and includes estimates from previous years when the market was recovering. Census rental household data also most likely undercounts the total for reasons detailed earlier (such as undocumented households and out-of-area college student households). That said, it is RKG Associates professional opinion that the findings from this section and the ***affordability*** analysis section remain relevant and accurate, and are valuable in advising the City on how to best utilize its assets to address existing and projected housing needs.

7. Investor-Owned Properties

As noted, the City of Providence's homeownership rate (35%) is approximately half of its rental rate (65%). In addition to having a large multifamily rental housing supply, the City also has a high concentration of two- and three-family buildings that offer both rental and ownership units. There are approximately 32,700 ***fee-simple properties***[80] (single-family homes, two-family structures, three-family structures, and condominium units) in Providence. Each has the potential to be owner-occupied. However, slightly more than 33% (11,500 properties) are not claiming the City's ***homestead exemption***[81], indicating they are investor-owned. In this case, all units in the building are renter-occupied. Each of these properties has the potential to be purchased by an ***owner-occupant***.

Based on this analysis and discussions with local real estate professionals, current and projected market conditions are not strong enough in many areas of the City to attract owners to buy these units. However, changes in the City's housing market to make homeownership more attractive (such as better transportation connections to Boston and New York) could have substantial impact on the City's rental housing market equilibrium. Other cities in New England with very strong residential market climates also have experienced substantial investment to

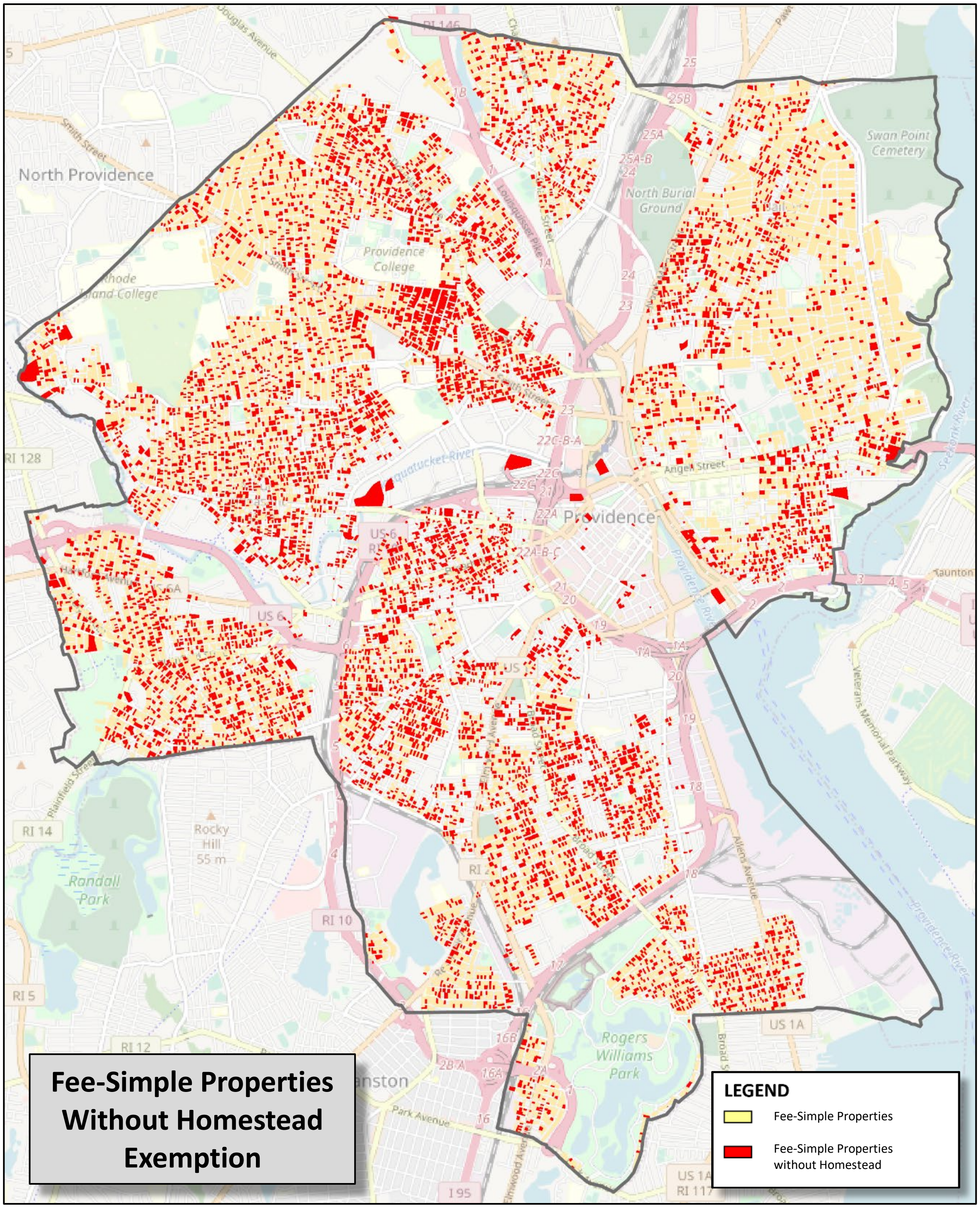
[80] ***Fee-simple ownership*** means that the owner of the property has full and irrevocable ownership of the land and any buildings on it. Except for zoning ordinances, the owner is able to use the property as they wish. It is the highest form of property ownership in the United States.

[81] Providence offers a real property tax exemption for households that own and occupy their primary residence in the City. The owner must show proof of occupancy to gain ***homestead exemption*** status.

convert two- and three-family properties into individual condominiums. This has happened in Providence, but on a very limited scale and only in certain areas.

Map 2 shows the location of all the single-family, two-family, three-family and condominium units that currently are not claiming the ***homestead exemption***. As seen, these structures are located throughout the City, with a high concentration around Providence College.

Map 2

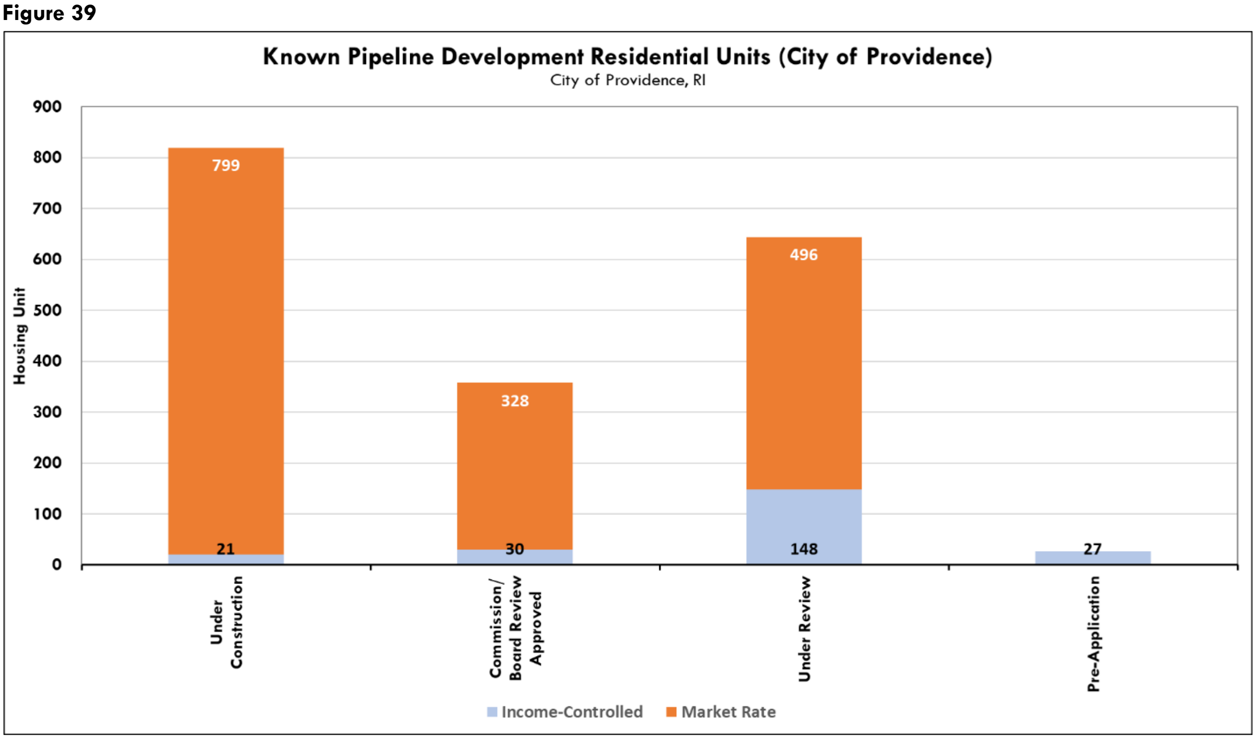

Fee-Simple Properties Without Homestead Exemption
LEGEND
Fee-Simple Properties
Fee-Simple Properties without Homestead
Providence
North Providence
Providence College
Rhode Island College
Swan Point Cemetery
North Burial Ground
Rogers Williams Park
Randall Park
Rocky Hill 55 m
Angell Street
Providence River
Seekonk River
Veterans Memorial Parkway
Allens Avenue
Park Avenue
Douglas Avenue
Smith Street
Plainfield Street

8. Development Pipeline

The City's Planning Department maintains a database of all large-scale known planned, proposed, and approved but not yet built projects within Providence. These are larger projects (the smallest residential project in the database is 8 units) where the investor-owner has engaged the City through its City Plan Commission development review process. Both the City and RKG recognize that this database is not a full representation of all forthcoming residential development, as it does not include smaller scale projects, ***by-right*** projects, or projects that may be planned but have not yet been identified to the City. Regardless, RKG Associates believes this list provides insight into the types of development, locations of proposed development, and how the market is accommodating (or not accommodating) ***income-controlled*** units.

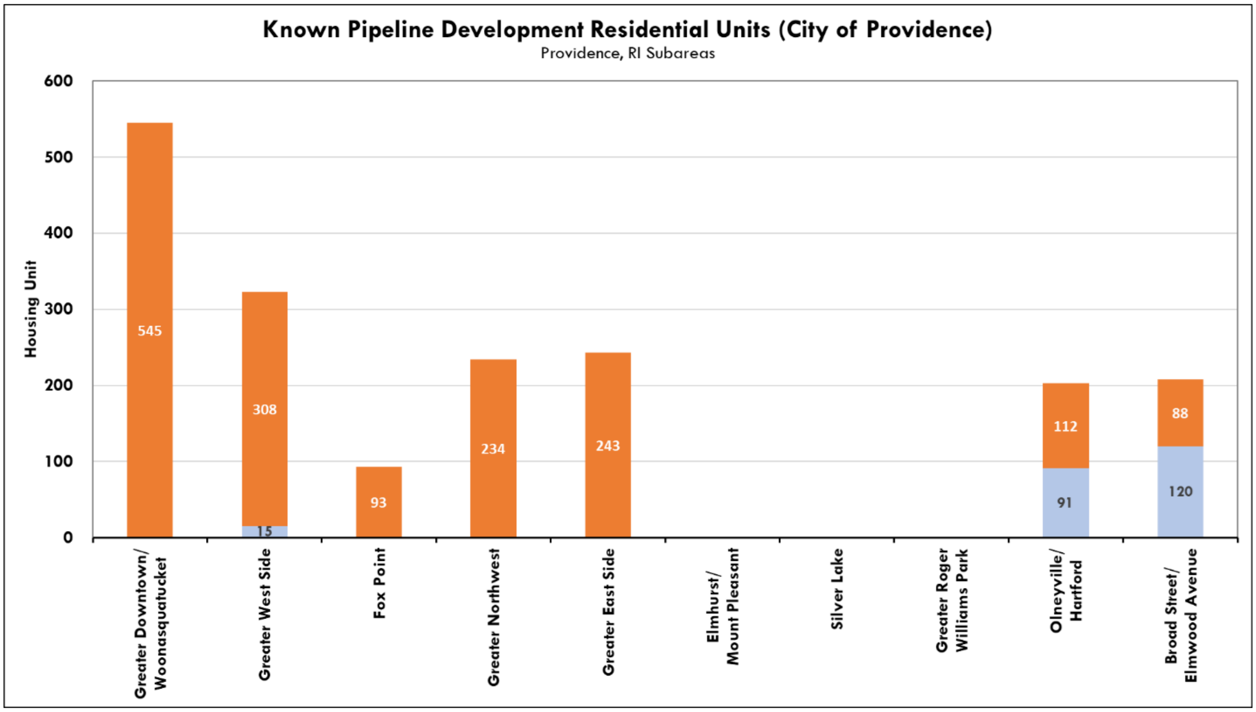
The City's known pipeline database includes 40 unique projects totaling 1,849 housing units. Approximately 820 units are under construction, with the remaining 1,029 in planned and in some phase of the approval process (Figure 39). Approximately 12% of these pipeline units are proposed to be income controlled (226 units), but only 21 are within newly constructed buildings.

Figure 39



When reviewing this data at the subarea level, the proposed development pipeline reflects existing residential supply conditions. Most proposed units are in subareas with larger multifamily development, with the Greater Downtown and Woonasquatucket areas constituting the largest share (545 units). Elmhurst/Mount Pleasant, Silver Lake, and the area surrounding Roger Williams Park have no proposed pipeline projects (Figure 40). Finally, the Olneyville/Hartford and Broad Street/Elmwood Avenue areas account for 211, or 93%, of the 226 ***income-controlled*** units proposed in these pipeline projects.

Figure 40



The consistency of pipeline and existing development patterns is not surprising. The marketplace responds to the legal allowances of development (such as zoning), financial feasibility of development (such as the share of ***income-controlled*** units), and feasibility of getting development approval (through community support or opposition). Without adjustments to the City's policies, investments, and approach to new development—particularly multifamily development— it is highly unlikely that future development will deviate from historic trends.

CURRENT AFFORDABILITY ANALYSIS

1. Key Findings

While Providence's rental housing market is comparatively affordable to other New England cities, extremely low-income households are underserved. As with most communities in the United States, Providence households earning less than 30% of ***AMI*** (a household of two people earning less than $19,650 annually) have the greatest ***affordability*** challenges and least housing choice. Almost 40% of the City's renter households earn less than 30% of ***AMI***, while less than 20% of housing units are attainably priced to this income level (including all public and Section 8 housing units). The ***affordability*** analysis identified almost 5,800 more renter households in Providence earning less than 30% of ***AMI*** than there are rental housing units priced appropriately for them. The challenge is particularly acute for larger households (three or more people), where there is even less ***price-appropriate*** supply.

Current rental housing demand is strongest for centrally located, highly amenitized units, particularly in or adjacent to Downtown. This situation is driving most new construction projects, particularly those within the Jewelry District, where land has been opened up by the relocation of I-195. However, Downtown and the City's East Side have had the predominant focus for both recent new construction and adaptive reuse projects. Recent ***market-rate*** new construction projects are priced at or above the 120% of ***AMI*** threshold, reflecting the opportunity to serve the unmet demand for that income group. Development targeting the most lucrative opportunities is common, but also reinforces the need for the City to use its regulatory and financial incentives to ensure new developments include ***price diversity***. This is particularly important to ensure all households have access to all of the City's neighborhoods.

Single-family houses and condominiums are the most expensive and not obtainable to potential homeowners earning less than 80% of *AMI*. Purchasing a two- or three-family unit and managing tenants are the primary options for these households. The availability of homeownership for households earning below 80% of ***AMI*** are very scarce in the Downtown, East Side, Smith Hill, Wanskuck, and Charles neighborhoods.

Local real estate professionals indicate that two- and three-family units are not in demand from higher income households. Anecdotally, households earning over 120% of ***AMI*** seek to avoid having to manage tenants in their primary residence, preferring single-family homes or condominiums.

The lack of supply of high-end ownership housing drives up prices and demand for less-expensive units. Like the price escalation impact to the rental housing market, the lack of higher-value single-family homes and condominium units contributes to their rising cost and growing ***affordability*** disparity. Effectively, the relatively higher demand is causing prices for these units to rise. This challenge is particularly true in the City's highest demanded neighborhoods (such as Downtown, the Woonasquatucket Corridor, and the East Side), where affordable homeownership options already are very limited.

Not all neighborhoods are experiencing the same homeownership *affordability* trends. Ownership opportunities are limited for moderate- income households (60% to 80% of ***AMI***) in Downtown, along the Woonasquatucket Corridor, and in the East Side. The City's property assessment data shows that expensive home prices and high home appreciation values limit ownership opportunities for moderate-income households in these neighborhoods which consequently limits the ability of moderate-income households to live in areas with amenities such as ***low-cost transportation*** choices, proximity to Downtown, and high-performing schools.

Providence's housing stock creates a unique homeownership market. Much like other New England cities, there are about as many two- and three-family structures as there are single-family structures. These structures can be owner-occupied but require the owner to manage the additional one (or two) units. In line with local conventional lending practices, the City's Down Payment and Closing Cost Assistance Program considers up to 75% of projected rental income from the additional units when underwriting, making this housing more obtainable; however, managing rental units requires time and financial commitments not all homeowners can or want to accommodate. From an ***affordability*** perspective, more modest income households that may qualify for a loan for these units may not have the financial reserves to address substantial repairs or lengthy vacancy of rental units. This is an important distinction when discussing homeownership ***affordability***. **When rental income is considered as part of a household's qualifying income, Providence's housing market becomes very affordable. With rental income factored in, the only income groups not sufficiently served are those earning over 100% of *AMI*; however, *affordability* is very different when rental income is not considered.**

While the primary goal of this plan is to increase *affordable housing* opportunities, it is important to acknowledge the impact of having insufficient *price-appropriate* rental housing across all income levels. In Providence, the data analysis identified there are more households earning above 100% of AMI than units priced to this income level (specifically, ***market-rate*** studios and one-bedroom rental units). This market imbalance can create pricing pressures on low- and moderate-income households, enabling rent levels to rise faster than annual income growth for modest income households. Further, these higher income households may occupy units that could otherwise accommodate lower income households, thus creating a shortage and additional pressures on more vulnerable populations. In Providence, there are more than 3,800 households earning over 100% of AMI than there are units priced for that income level.

2. Methodology

Definition of Terms

Housing ***affordability*** analyses compare the ability of households in a given geography to pay for housing as compared to the cost for housing within that same geographic area. ***Affordable housing*** is often interpreted as another way to mean "subsidized housing" or "public housing." While subsidized housing and public housing are components of ***affordable housing***, they do not make up the entirety of this classification. It is easy to see why there is confusion and misinterpretation of the term, as there is no single definition of the term that is applied universally throughout the United States. However, it is important that this term, and other housing classification terminology, be clearly defined prior to engaging in an assessment of data.

Within the context of the Anti-Displacement and Comprehensive Housing Strategy, many of these terms and their definitions are included in Appendix A.

Data Sources

RKG Associates used the most recent market data available at the time of this analysis. For the demand analysis, RKG Associates relied on the ***U.S. Census American Community Survey (ACS)*** 2017 Five-Year estimates. Most notably, the ***ACS*** data provides estimates for the total number of households, household income, household size and ***housing tenure*** (renters and owners). The Census data was analyzed at the subarea level and then summarized for citywide totals.

For the housing supply analysis, RKG Associates relied on several data sources. The housing unit count by housing type was identified from the City's 2020 property tax assessment database which identifies properties by total number of housing units, classifies whether a property has an existing deed restriction (typically denoted with ***8% Tax Act designation***), and reveals homeownership status using the ***homestead exemption*** classification. RKG Associates used recent property sales and current assessment data to determine ownership housing market values. For rental pricing, RKG did an extensive rental housing price analysis using secondary data sources such as Apartments.com, Zillow, and Rent.com to augment the Census rent levels data by subarea to refine price points by location and size of housing units (such as one-bedroom or two-bedroom).

A supply and demand analysis to identify housing ***affordability*** ultimately is determined by the amount a household can pay for housing. To that end, RKG Associates used the ***U.S. Department of Housing and Urban Development (HUD)*** Income Limits for the Providence-Fall River RI-MA ***HUD*** Metro Fair Market Rent Area. ***Fair Market Rent (FMR)***[82] thresholds are based on the ***area median income (AMI)*** for a four-person household. The 2019 median household income for a four-person household is $81,900. Based on average household size for renter and

[82] ***Fair Market Rents (FMR)*** is a gross rent estimate that includes the base rent, as well as any essential utilities that the tenant would be responsible for paying, such as gas or electric. It does not include non-essential utilities such as telephone, television, or internet.

owner households in Providence, the rental ***affordability*** analysis uses the income limits calculated by ***HUD*** for two-person households and the ownership ***affordability*** analysis uses the income limits calculated for three-person households. Table 1 shows the income thresholds for

Table 1
HUD Household Income Thresholds
Providence-Fall River, RI-MA HUD Metro FMR Area (FY 2019)

Income Bands	Rental Analysis (2-Person)	Owner Analysis (3-Person)	Baseline (4-Person)
Extremely Low (30%) Income Limits	$19,650	$22,100	$25,750
Very Low (50%) Income Limits	$32,800	$36,900	$40,950
Low (80%) Income Limits	$52,400	$58,950	$65,500
100% AMI	$65,600	$73,800	***$81,900***
120% AMI	$78,720	$88,560	$98,280

Source: HUD AMI 2019 and RKG Associates, Inc., 2020

two- and three-person households.

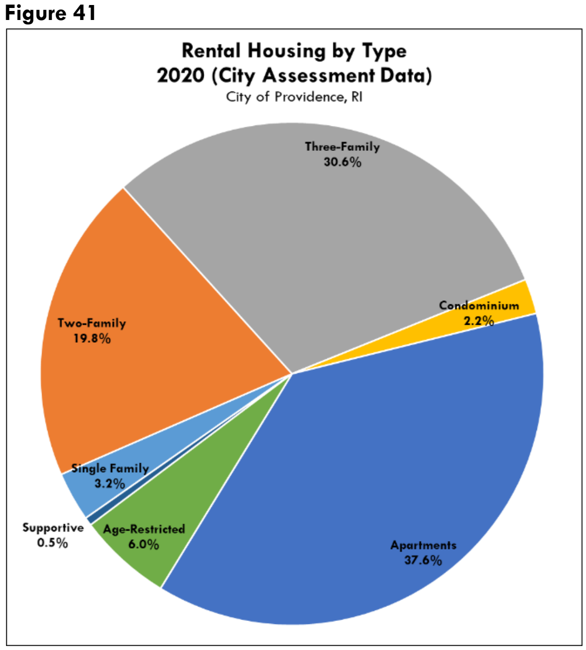
Given the unique housing market within Providence, RKG Associates was required to allocate two-, three-, and four-family properties between the ownership and rental markets. Based on engagement with the City's Planning Department, two-, three-, and four-family structures receiving ***homestead exemptions*** were split between the ownership supply (one unit) and rental supply (remaining units). Units in these structures that did not have ***homestead exemptions*** were allocated to the rental housing market supply.

3. Renter-Occupied Housing Supply

Housing by Type

Based on the City's property assessment data, there are 51,740 rental housing units in Providence. Rental units are diverse, with apartments (structures with more than four units) constituting the largest share of the rental market followed by three-family structures and two-family structures (Figure 41). Age-restricted rentals and supportive housing units constitute approximately 6% and 0.5% of the total market, respectively. Like all other communities, there is a portion of single-family housing and condominiums that have been converted into rental use. Map 2 in the housing supply section (page B-33) details the location of these units within the City.

Figure 41



Rent Thresholds

As noted, the rental analysis was performed using the ***HUD*** Two-Person household income thresholds shown in Table 1. These thresholds were then correlated to rent levels using ***HUD's cost burdened*** income ratio of 30% of gross income. The corresponding rent levels for the Providence-Fall River, RI-MA ***HUD*** Metro ***Fair Market Rent*** Area are detailed in Table 2. As seen, a two-person household at 100% of ***AMI*** in Providence who earns $65,600 can afford a monthly rent of $1,640 without being ***cost burdened***.

Table 2
Monthly Gross Rent Thresholds Based on HUD Income Thresholds
City of Providence, RI (2019)

	Persons in Household		
Income Bands	**2**	**3**	**4**
Extremely Low (30%) Income Limits	$491	$553	$644
Very Low (50%) Income Limits	$820	$923	$1,024
Low (80%) Income Limits	$1,310	$1,474	$1,638
100% AMI	$1,640	$1,845	***$2,048***
120% AMI	$1,968	$2,214	$2,457

Source: HUD AMI 2019 and RKG Associates, Inc. 2020

Rental Pricing

The City's rental housing supply is comparatively less expensive than other large New England cities. ***ACS*** data indicates that 90% of renter households pay less than $1,500 monthly for their housing (Table 3). The data also indicates that prices increase based on size of unit, which is typical given units with more bedrooms are typically larger.

Table 3
Rental Units by Bedroom Count by Monthly Gross Rent by Subarea
City of Providence Subareas, RI (2017 ACS Estimates)

	Studio		1 Bedroom		2 Bedrooms		3 or More Bedrooms		Total	
Rent Levels	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Renter Households	**2,503**	**100.0%**	**9,870**	**100.0%**	**15,252**	**100.0%**	**12,929**	**100.0%**	**40,554**	**100.0%**
With Cash Rent	**2,496**	**99.7%**	**9,711**	**98.4%**	**14,947**	**98.0%**	**12,617**	**97.6%**	**39,771**	**98.1%**
<$300	954	38.2%	2,641	27.2%	878	5.9%	347	2.8%	4,820	12.1%
$300-$499	271	10.9%	1,153	11.9%	806	5.4%	765	6.1%	2,995	7.5%
$500-$749	233	9.3%	1,181	12.2%	1,966	13.2%	1,108	8.8%	4,488	11.3%
$750-$999	348	13.9%	2,055	21.2%	4,790	32.0%	2,901	23.0%	10,094	25.4%
$1,000-$1,499	492	19.7%	2,003	20.6%	5,314	35.6%	5,608	44.4%	13,417	33.7%
$1,500-$1,799	126	5.0%	309	3.2%	501	3.4%	432	3.4%	1,368	3.4%
$1,800-$1,999	24	1.0%	79	0.8%	293	2.0%	468	3.7%	864	2.2%
>=$2,000	48	1.9%	290	3.0%	399	2.7%	988	7.8%	1,725	4.3%
No Cash Rent	**7**	**0.3%**	**159**	**1.6%**	**305**	**2.0%**	**312**	**2.4%**	**783**	**1.9%**

Source: U.S. Census and RKG Associates, Inc. 2020

RKG Associates' research through secondary data sites such as Zillow confirmed the general findings of the Census analysis (Table 4). First, the most desirable subareas (such as Downtown and the Woonasquatucket Corridor) have the highest rent per square foot pricing in the City. Second, rental units with more bedrooms are generally more expensive than smaller units. Finally, rents vary greatly within subareas based on unit size, the location of the unit, and the amenities offered with that unit.

Table 4
Available OnliGreater East Side Rental Listing Monthly Rates by Unit Type by Subarea
City of Providence, RI (2020)

Unit Type	Listing Results	Lowest-Rent Unit			Highest-Rent Unit		
		Rent	SQ.FT	Rent/SF	Rent	SQ.FT	Rent/SF
Studio							
Greater Downtown/ Woonasquatucket	8	$1,150	374	$3.07	$2,060	578	$3.56
Greater West Side	3	$995	500	$1.99	$1,425	800	$1.78
Fox Point	0	N/A	N/A	N/A	N/A	N/A	N/A
Greater Northwest	1	$2,300	1,690	$1.36	N/A	N/A	N/A
Greater East Side	5	$995	500	$1.99	$2,150	520	$4.13
Elmhurst/ Mount Pleasant	0	N/A	N/A	N/A	N/A	N/A	N/A
Silver Lake	0	N/A	N/A	N/A	N/A	N/A	N/A
Greater Roger Williams Park	0	N/A	N/A	N/A	N/A	N/A	N/A
Olneyville/ Hartford	0	N/A	N/A	N/A	N/A	N/A	N/A
Broad Street/ Elmwood Avenue	4	$950	525	$1.81	$1,450	648	$2.24
1 Bedroom							
Greater Downtown/ Woonasquatucket	19	$1,250	1,200	$1.04	$2,800	912	$3.07
Greater West Side	14	$875	450	$1.94	$1,850	1,200	$1.54
Fox Point	8	$1,050	800	$1.31	$1,575	500	$3.15
Greater Northwest	8	$825	1,144	$0.72	$1,400	840	$1.67
Greater East Side	34	$1,100	675	$1.63	$2,750	1,100	$2.50
Elmhurst/ Mount Pleasant	2	$850	700	$1.21	$925	N/A	N/A
Silver Lake	0	N/A	N/A	N/A	N/A	N/A	N/A
Greater Roger Williams Park	2	$1,000	446	$2.24	$1,005	507	$1.98
Olneyville/ Hartford	3	$1,295	650	$1.99	$1,695	962	$1.76
Broad Street/ Elmwood Avenue	8	$900	525	$1.71	$1,995	1,336	$1.49
2 Bedroom							
Greater Downtown/ Woonasquatucket	12	$1,150	925	$1.24	$4,500	1,488	$3.02
Greater West Side	44	$1,000	900	$1.11	$1,790	870	$2.06
Fox Point	16	$1,300	800	$1.63	$3,400	1,500	$2.27
Greater Northwest	22	$900	900	$1.00	$2,600	1,036	$2.51
Greater East Side	77	$1,095	965	$1.13	$3,150	1,000	$3.15
Elmhurst/ Mount Pleasant	7	$1,200	1,296	$0.93	$1,600	1,100	$1.45
Silver Lake	5	$900	904	$1.00	$1,250	1,300	$0.96
Greater Roger Williams Park	4	$1,199	900	$1.33	$2,150	1,600	$1.34
Olneyville/ Hartford	6	$950	785	$1.21	$1,795	910	$1.97
Broad Street/ Elmwood Avenue	10	$895	1,000	$0.90	$1,750	695	$2.52
3 Bedroom							
Greater Downtown/ Woonasquatucket	2	$2,995	1,228	$2.44	$3,510	1,357	$2.59
Greater West Side	39	$1,175	1,900	$0.62	$2,500	1,245	$2.01
Fox Point	9	$1,200	890	$1.35	$3,100	1,775	$1.75
Greater Northwest	48	$1,100	800	$1.38	$2,500	1,080	$2.31
Greater East Side	48	$1,200	890	$1.35	$4,250	2,000	$2.13
Elmhurst/ Mount Pleasant	22	$1,350	941	$1.43	$2,100	1,400	$1.50
Silver Lake	3	$1,050	1,186	$0.89	$1,600	1,246	$1.28
Greater Roger Williams Park	3	$1,350	1,100	$1.23	$1,950	1,054	$1.85
Olneyville/ Hartford	2	$1,100	1,129	$0.97	$1,250	1,200	$1.04
Broad Street/ Elmwood Avenue	7	$1,230	1,200	$1.03	$1,850	1,300	$1.42
4 Bedroom							
Greater Downtown/ Woonasquatucket	1	$3,600	929	$3.87	N/A	N/A	N/A
Greater West Side	19	$1,599	1,500	$1.07	$2,600	1,206	$2.16
Fox Point	6	$2,050	1,264	$1.62	$3,500	2,100	$1.67
Greater Northwest	21	$1,450	1,000	$1.45	$3,300	1,362	$2.42
Greater East Side	30	$1,695	1,500	$1.13	$5,000	2,000	$2.50
Elmhurst/ Mount Pleasant	16	$1,600	1,300	$1.23	$2,800	3,000	$0.93
Silver Lake	1	$1,575	1,222	$1.29	N/A	N/A	N/A
Greater Roger Williams Park	5	$1,800	1,350	$1.33	$2,600	1,500	$1.73
Olneyville/ Hartford	0	N/A	N/A	N/A	N/A	N/A	N/A
Broad Street/ Elmwood Avenue	4	$1,500	1,040	$1.44	$1,850	1,500	$1.23
5 Bedroom							
Greater Downtown/ Woonasquatucket	0	N/A	N/A	N/A	N/A	N/A	N/A
Greater West Side	3	$1,899	1,500	$1.27	$2,750	2,116	$1.30
Fox Point	1	$5,000	2,500	$2.00	N/A	N/A	N/A
Greater Northwest	5	$2,750	2,200	$1.25	$3,500	2,400	$1.46
Greater East Side	3	$2,750	2,030	$1.35	$3,100	2,000	$1.55
Elmhurst/ Mount Pleasant	5	$2,750	2,200	$1.25	$3,500	2,400	$1.46
Silver Lake	0	N/A	N/A	N/A	N/A	N/A	N/A
Greater Roger Williams Park	2	$2,200	2,000	$1.10	$2,750	1,954	$1.41
Olneyville/ Hartford	0	N/A	N/A	N/A	N/A	N/A	N/A
Broad Street/ Elmwood Avenue	0	N/A	N/A	N/A	N/A	N/A	N/A

Source: Apartments.com, Zillow, Rent.com and RKG Associates, Inc. 2020

Rental Units by *AMI* Threshold

RKG Associates calculated the number of market-rate and subsidized rental units priced to fall within each ***HUD***-defined ***AMI*** income band for each subarea and the City as a whole. The largest concentration of rental units is priced at a level that could be considered affordable to households earning between 50% of ***AMI*** ($821 per month) and 80% of ***AMI*** ($1,310 per month). The blended analysis indicates that 91.5% of rental units are priced below the 100% of ***AMI affordability*** threshold. That said, **only 19.7%, or 10,180 units, are priced at levels attainable to households earning less than 30% of *AMI*** (Table 5). This total includes all of the public and Section 8 housing in Providence.

Table 5
Rental Units by Bedroom Count by Monthly Gross Rent by Subarea
City of Providence Subareas, RI

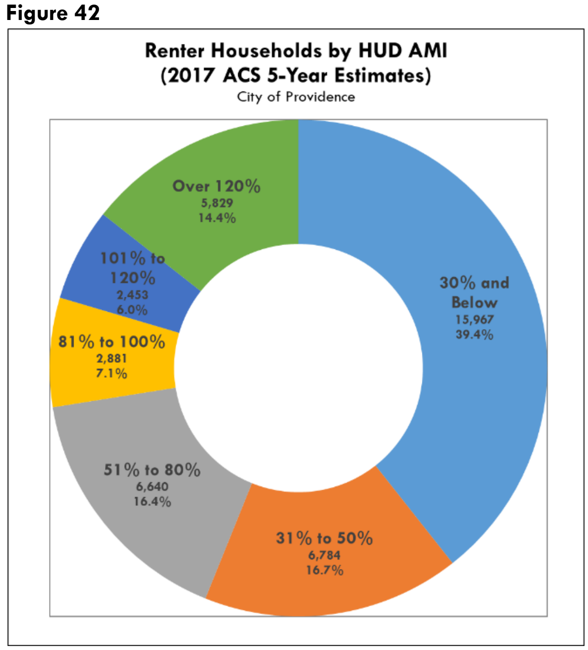
	Rent Thresholds		Studio		1 Bedroom		2 Bedrooms		3+ Bedrooms		Total	
Rent Levels	Minimum	Maximum	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
City of Providence												
Total			**3,325**	**6.4%**	**12,784**	**24.7%**	**19,355**	**37.4%**	**16,276**	**31.5%**	**51,740**	**100.0%**
Under 30% of AMI	$0	$491	1,611	48.5%	4,977	38.9%	2,183	11.3%	1,409	8.7%	10,180	19.7%
30% to 50%	$492	$820	448	13.5%	2,343	18.3%	4,315	22.3%	2,543	15.6%	9,649	18.6%
50% to 80%	$821	$1,310	733	22.0%	3,532	27.6%	8,654	44.7%	7,158	44.0%	20,077	38.8%
80% to 100%	$1,311	$1,640	336	10.1%	1,190	9.3%	2,911	15.0%	2,974	18.3%	7,411	14.3%
100% to 120%	$1,641	$1,968	124	3.7%	318	2.5%	684	3.5%	791	4.9%	1,917	3.7%
Over 120% of AMI	$1,969		74	2.2%	424	3.3%	608	3.1%	1,402	8.6%	2,508	4.8%

Sources: HUD, U.S. Census, Apartments.com, Zillow, Rent.com, and RKG Associates, Inc. 2020

4. Rental Housing Demand Analysis

Although renter household incomes skew below 100% of ***AMI*** within Providence, demand for rental housing is distributed across all income thresholds. Renter households earning below 100% of ***AMI*** total approximately 80% of all demand (Figure 42). That said, none of the income threshold groups have less than 6% of all demand. **More importantly, households earning below 30% of *AMI* ($19,650) account for the largest share of renters in Providence, totaling almost 40% of all households (15,967 households). This is a substantial finding, as fewer than 20% of rental units in the City are priced appropriately to these households, including public housing and Section 8 units.**

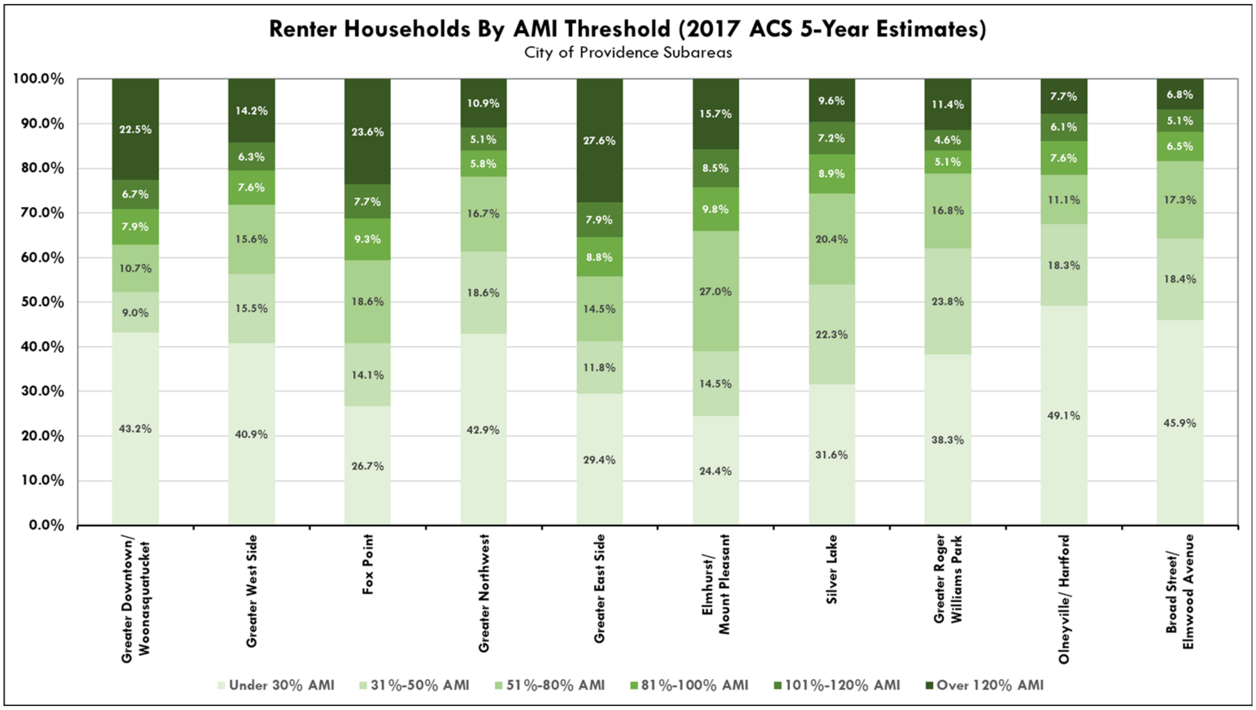
Figure 42



The distribution of renter households by income is disproportionate within the City's subareas. The Olneyville/Hartford and Broad Street/Elmwood Avenue subareas have the highest concentration of extremely low and very low-income households (Figure 43). This finding is consistent with those neighborhoods also having the highest percentage of *income-*

controlled* units.** In comparison, the Greater East Side and Fox Point subareas have the highest concentrations of renter households earning above 120% of ***AMI. The Greater Downtown subarea has the third highest concentration of both households earning below 30% of ***AMI*** and those earning above 120% of ***AMI***, indicating the dichotomy of that marketplace. However, it also indicates the concern those lower income households have of gentrification impacts, as the Downtown and Woonasquatucket areas continue to build amenities and rise in attractiveness to higher-earning renters.

Figure 43



While these findings are unsurprising, given the relative cost of housing and incomes reported in the socioeconomic analysis, they reveal that **diversity of housing choice is not evenly distributed throughout the City. At a base level, the data indicates that additional efforts need to be pursued to provide greater *price diversity* in certain parts of Providence while initiatives to bring better services/amenities are necessary to make other areas equally beneficial for existing residents.**

It is important to note that the demand data does not include households that currently do not live in Providence. Excluding households that do not live in Providence but might choose to relocate to its neighborhoods if given the opportunity, substantially reduces the potential demand in the analysis. That said, this strategy first seeks to serve existing households already living in Providence and to understand their needs relative to price appropriate housing. Any additional demand coming from the region will only increase the potential shortage of ***affordable housing***.

5. Rental Housing Gap Analysis

The strength of the ***affordability*** analysis as a tool for understanding current rental housing dynamics lies in the comparison of the existing rental supply of units distributed across the ***affordability*** thresholds to the corresponding demand by existing renters within each threshold. This comparison highlights rent ranges where there is either a surplus of units or a shortage of units to meet existing demand, and the impact these discrepancies can have on current renters, particularly if they lead to cost-burdened households.

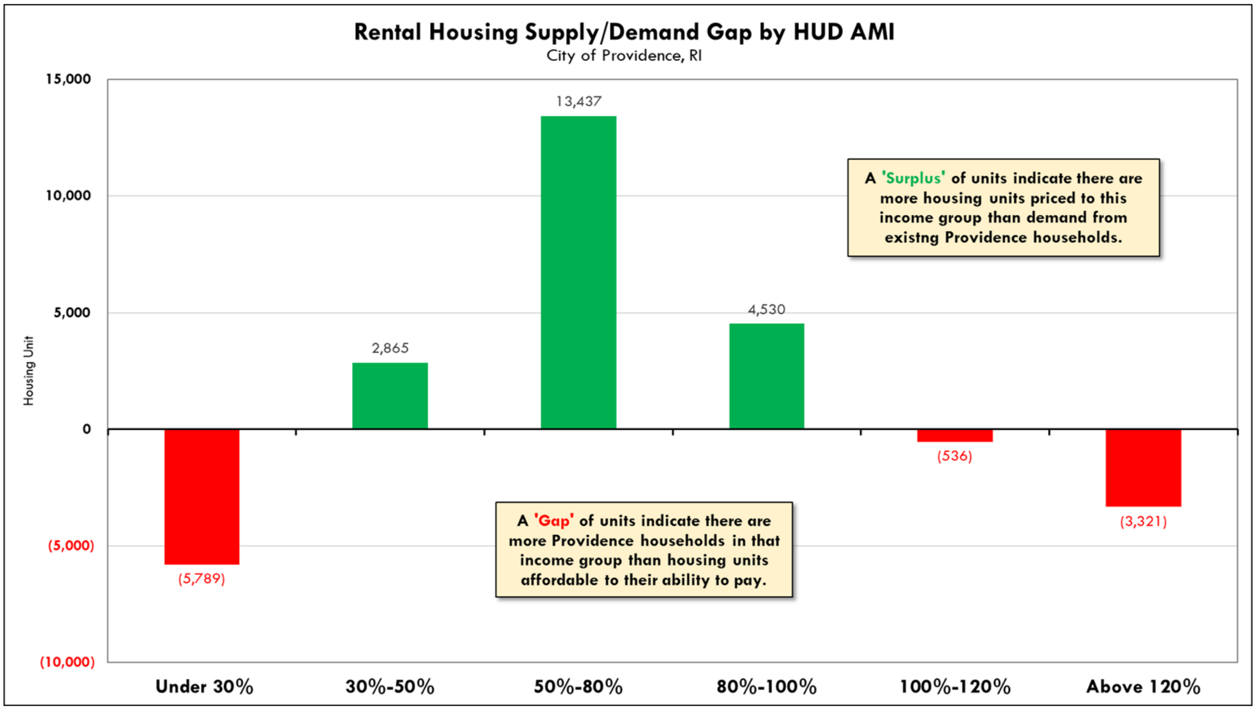
Affordability Gap by *AMI*

Overall, Providence has a surplus of rental housing units. Similar to the ***ACS*** data results presented earlier in this analysis, the ***affordability*** analysis indicated the City has a vacancy rate above 15%. Having a surplus of units is typical, as all markets have vacancy due to turnover, rehabilitation, and demand preference. While there is a perception that the City's rental housing vacancy rate is substantially lower than the data analyses indicate, the balance of supply and demand varies greatly over the various ***HUD AMI*** income thresholds.

As with most communities in the United States, Providence households earning less than 30% of ***AMI*** (a household of two people earning less than $19,650 annually) have the greatest ***affordability*** challenges and least housing choice. Almost 40% of the City's renter households earn less than 30% of ***AMI***, while less than 20% of units are priced to this income level. The affordability analysis included all market-rate affordable units priced for households earning at or below 30% of AMI as well as subsidized units priced to 30% of **AMI** or provide financial subsidies to assist households earning at or below 30% of **AMI** to afford the stated rent level (such as Section 8 and public housing units). **The *affordability* analysis identified almost 5,800 more renter households in Providence earning less than 30% of *AMI* than there are rental housing units priced appropriately for them** (Figure 44). The challenge is particularly acute for larger households (three or more people), where there is even less ***price-appropriate*** supply.

An ***affordability*** gap exists at the higher income groups as well. **From a cost perspective, there are more high-income households than there are units priced to maximize their *ability to pay* despite recent development focusing on the luxury market.** There are approximately 3,800 more Providence renter households earning above 100% of ***AMI*** than there are rental housing units priced for those income groups. The ***affordability*** analysis revealed there are unit shortages for both the 100% to 120% of ***AMI*** group (536 units) and the above 120% of ***AMI*** group (3,321 units). It is important to note that this shortage does not mean these households are ***cost burdened***. **At a base level, having more affluent households renting below their *ability to pay* is not a challenge. However, it does adversely impact lower income households.** The lack of housing choice for higher-earning households forces them into three alternatives: [1] rent a unit that does not maximize their ***ability to pay***, causing them to pay less than 30% of their income on housing; [2] rent a unit that maximizes their ***ability to pay***, but not necessarily fits their space need; or [3] find a traditional ownership unit that has been converted for rental in that price point. Each of these scenarios serves to further reduce housing choice for lower-income households in Providence.

Figure 44



Ultimately, the market imbalance at the higher income levels applies pricing pressures on low- and moderate-income households, enabling rent levels to rise faster than annual income growth for modest income households. This downward pressure in the rental market is particularly challenging because households at the lowest income levels typically have the greatest barriers to homeownership (such as credit history and available money for down payment).

In many cases, there is little option for ***low- and moderate-income*** households, other than becoming housing ***cost-burdened*** or finding housing outside of Providence. The lack of market rate units with two or more bedrooms priced below 50% of ***AMI*** exacerbates challenges for modest income households that choose to or must rent. Anecdotally, real estate professionals have noted that households are combining (by living with grandparents, siblings, or cousins) to have income sufficient to rent larger apartments. This arrangement has direct and indirect impacts on the physical housing market, as these larger units— which tend to be much older and part of two- and three-family structures— are not built to handle multiple households.

Affordability Gap by *AMI* and Bedroom Count

Households and housing units within each ***HUD AMI*** income group vary. Within the rental housing market, ***HUD*** has established limitations on how many people can occupy each bedroom in a unit. For example, a three-person household is not allowed to occupy a one-bedroom housing unit using federal grant money. To this point, the analysis includes an assessment of the supply-demand balance by size of household/unit as well.

For households earning below 30% of *AMI*, there is a housing shortage for all rental unit sizes except for studios (Table 6). **The unmet demand is greatest for larger households, as 5,700 of the 5,800 underserved households require 2+ bedroom units.** While these units exist within Providence, they are predominantly priced for households earning above 50% of ***AMI*** causing these households to become ***cost-burdened***. This point is corroborated with the ***HUD CHAS***[83] data presented in the City's Consolidated Plan, that shows lower income households have substantially higher incidences of being ***cost-burdened*** than higher-earning households.

Table 6
Rental Housing Supply and Demand by HUD AMI Income Threshold
City of Providence, RI

AMI Threshold	Under 30%	30%-50%	50%-80%	80%-100%	100%-120%	Above 120%	
Annual HH Income	$19,650	$32,800	$52,400	$65,600	$78,720	$78,720+	
Rent Level	$491	$820	$1,310	$1,640	$1,968	$1,968+	**Total**
Studio							
Supply	1,609	448	733	336	124	74	3,324
Demand	1,162	494	483	210	179	424	2,952
Gap	**447**	**(46)**	**250**	**126**	**(55)**	**(350)**	**372**
1 Bedroom							
Supply	4,977	2,343	3,532	1,190	318	424	12,784
Demand	5,504	2,338	2,289	993	845	2,009	13,979
Gap	**(527)**	**5**	**1,243**	**197**	**(527)**	**(1,585)**	**(1,195)**
2 Bedrooms							
Supply	2,183	4,315	8,654	2,911	684	608	19,355
Demand	4,598	1,953	1,912	830	706	1,678	11,678
Gap	**(2,415)**	**2,362**	**6,742**	**2,081**	**(22)**	**(1,070)**	**7,677**
3 or More Bedrooms							
Supply	1,409	2,543	7,158	2,974	791	1,402	16,277
Demand	4,703	1,998	1,956	849	722	1,717	11,946
Gap	**(3,294)**	**545**	**5,202**	**2,125**	**69**	**(315)**	**4,331**
TOTAL							
Supply	10,178	9,649	20,077	7,411	1,917	2,508	51,740
Demand	15,967	6,784	6,640	2,881	2,453	5,829	40,554
Gap	**(5,789)**	**2,865**	**13,437**	**4,530**	**(536)**	**(3,321)**	**11,186**

Source: City of Providence, 2017 ACS Estimates, Zillow.com, HUD and RKG Associates, Inc. 2020

The current unmet rental demand for higher-earning households (over 120% of *AMI*) ranges across all rental housing unit sizes. The largest gap is in one-bedroom units (1.585 units), with the smallest gap in 3+ bedroom units. The comparatively limited demand for large rental units is not surprising, as higher-earning, large households oftentimes have many choices in homeownership.

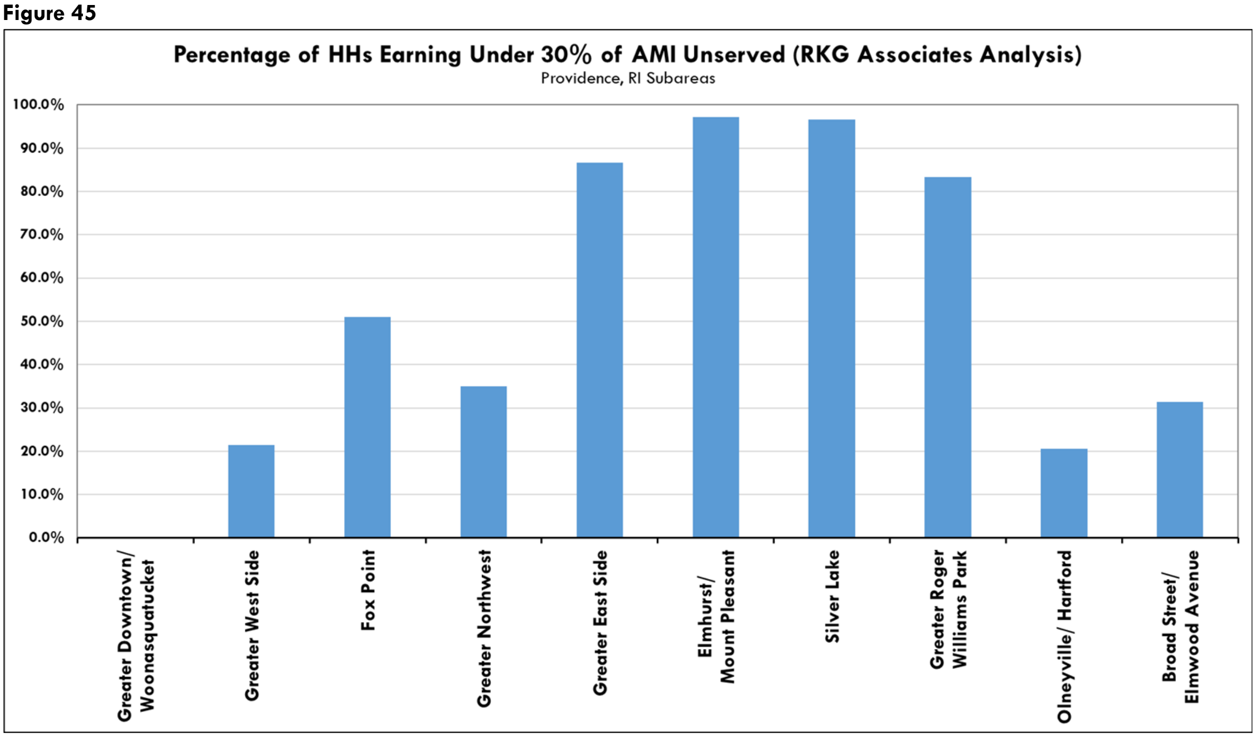
[83] The ***HUD Comprehensive Housing Affordability Strategy (CHAS)*** is a subset of the U.S. Census ACS data. The CHAS data demonstrate the extent of housing problems and housing needs, particularly for low-income households

When looking at the data as a whole, the analysis indicates that the City does not have enough smaller rental housing units. Combining studio and one-bedroom data, the City is short more than 800 units. This explains, in part, the push from the private sector to build smaller rental units. In comparison, the City has ample 2+ bedroom units; however, the existing supply is heavily concentrated in the 50% to100% of ***AMI*** price points, while demand is more heavily focused in the below 30% of ***AMI*** and above 100% of ***AMI*** groups.

Rental *Affordability* by Subarea

Each of the City's subareas, except for the Downtown and Woonasquatucket areas—performed similarly, with more supply than demand in the 50% of *AMI* to 100% of *AMI* range, but underserved in both the under 30% of *AMI* and over 120% of *AMI* groups. However, gaps for the lowest earning households are most notable in subareas where there is not a large supply of ***market-rate*** or ***income-controlled*** rental housing units (including Elmhurst/Mount Pleasant, Silver Lake, East Side, and the area surrounding Roger Williams Park). Each of these areas have the highest ratio of resident households earning below 30% of ***AMI*** that are not served with ***price-appropriate*** housing units (Figure 45).

Figure 45



For the Downtown and Woonasquatucket areas, the data indicates surplus in each of the income groups; however, this finding is misleading, as the supply analysis reflects new units added through 2019, but only accounts for households to 2017. This is an anomaly in the data, as new rental development has been much stronger in Downtown than most of the City. This results in an undercounting of households. Interviews with local real estate professionals indicated that current rental housing demand is strongest for centrally located, highly amenitized units, particularly in or adjacent to Downtown (driving the private sector investment and mismatch in data between supply and demand).

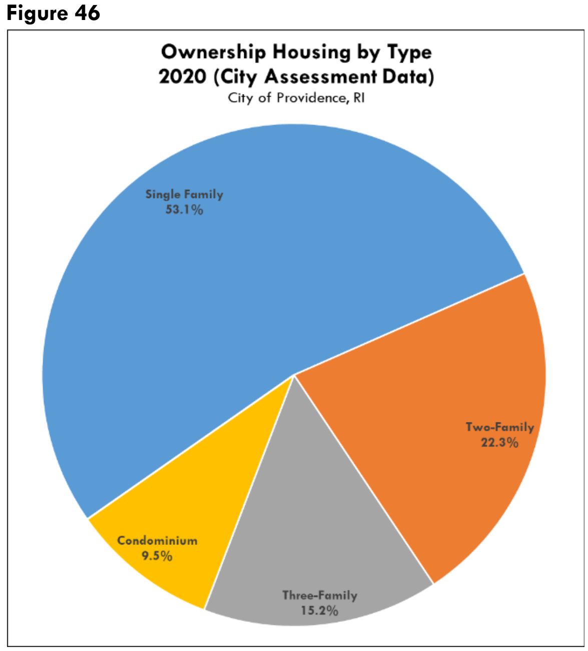
The demand to be in areas that are well-amenitized with strong transportation options is driving most new construction projects, particularly those within the Jewelry District, where land has been opened up by the relocation of I-195. Downtown and the City's East Side have had the predominant focus for both recent new construction and adaptive reuse projects. Recent ***market-rate*** new construction projects are priced at or above the 120% of ***AMI*** threshold, reflecting that Providence's current market forces are working to address the unmet demand for that income group. **Development targeting the most lucrative opportunities is common, but also reinforces the need for the City to use its regulatory and financial incentives to ensure new developments include *price diversity*.** This is particularly important to ensure all households have access to all of the City's neighborhoods.

6. Owner-Occupied Housing Supply

Housing by Type

Based on the City's property assessment data, there are 24,715 ***owner-occupied*** housing units in Providence. Single-family detached houses comprise the majority of ***owner-occupant*** housing units (53%), with two-family (22%) and three-family (15%) structures following behind (Figure 46). It is important to note that two- and three-family owner-occupied units are only one of the units in those buildings. The remaining units are rental units. The City tracks two- and three-family structures that have been converted into small condominium buildings as condominiums. The assessment database identified 2,341 condominiums, or 9.5% of all owner-occupied units.

Figure 46



Price Point Thresholds

The ***owner-occupant*** analysis was performed using the ***HUD*** three-person household income thresholds shown in Table 1. These thresholds were used because the average ***owner-occupant*** household had 2.87 persons, based on the 2017 Census ***ACS*** data. Like the rental analysis, these income thresholds were then correlated to a price point that was affordable based on ***HUD's cost burdened*** income ratio of 30% of gross income. Unlike the rental housing analysis, RKG had to calculate price point thresholds for each housing type. Simply put, each ownership housing type has its own cost and income characteristics that made having a single price point for each income group impossible. The following characteristics were used for each ownership housing type:

- For ***single-family detached structures***, the simplest calculation was used, correlating house value to the corresponding income threshold based on current marketplace borrowing standards (such as interest rates, down payment requirement, and insurance rates, among other factors).

- For ***two-family structures, two*** separate calculations were used based on rental income assumptions about the second unit. Lenders allow borrowers for two-family structures to include a portion of the potential rent from the second unit as income. The ownership analysis calculated one value assuming a rental income and one assuming the borrower would not have a rental income. This was done to measure the 'best-case' and worst-case' scenarios about ***affordability***.

- For ***three-family*** structures, two separate calculations were used based on rental income assumptions about the second and third units. Like two-family structures, lenders allow borrowers for three-family structures to include a portion of the potential rent from the second and third units as income. The ownership analysis calculated one value assuming a rental income and one assuming the borrower would not have a rental income. This was done to measure the 'best-case' and worst-case' scenarios about ***affordability***.

- For ***condominium*** units, pricing calculations included estimated condominium fees that are paid monthly to assist with common area maintenance and operations of the condominium association and for a joint repair reserve for major capital expenditures. RKG Associates researched condominium fees in Providence to calculate an average monthly cost. This cost was incorporated into the affordability calculation.

Traditional home mortgages vary in type, term, and down payment requirements. It is impossible to know the borrowing capabilities and mortgage type for all existing homeowners within Providence. To calculate purchase prices for each income level, RKG had to make assumptions about which mortgage type would be used. For this analysis, RKG used a traditional 30-year fixed mortgage based on Federal Housing Administration (FHA) standards. This approach is the most conservative, as it requires a lower down payment (3.5% of the purchase price). While not all buyers use FHA mortgages, it is the most common type of mortgage nationwide. The corresponding purchase price levels for each housing type and Providence-Fall River, RI-MA ***HUD*** Metro FMR Area income threshold assuming no rental income are detailed in Table 7.

Table 7
HUD Household Income Thresholds
Providence-Fall River, RI-MA HUD Metro FMR Area (FY 2019)

		Maximum Purchase Price (FHA Standards)			
Income Bands	**Income Threshold**	**Single Family**	**Two-Family (no rent**	**Three Family (no rent)**	**Condominium**
Extremely Low (30%) Income Limits	$22,100	$70,699	$70,699	$70,699	$31,592
Very Low (50%) Income Limits	$36,900	$118,044	$118,044	$118,044	$78,938
Low (80%) Income Limits	$58,950	$188,583	$188,583	$188,583	$149,476
100% AMI	$73,800	$236,088	*$236,088*	$236,088	$196,982
120% AMI	$88,560	$283,306	$283,306	$283,306	$244,199

Source: HUD AMI 2019 and RKG Associates, Inc. 2020

Further, the purchase price threshold for two- and three-family units vary significantly when potential rental income streams are considered as part of borrowers' income. RKG's rental pricing analysis revealed that the average rent level varies by subarea. As a result, RKG calculated individual purchase prices for each subarea based on the average rent level for 3+bedroom units. The corresponding purchase price levels for two- and three-family structures and Providence-Fall River, RI-MA ***HUD*** Metro FMR Area income threshold assuming there is rental income are detailed Table 8.

It is important to note that the ownership analysis does not consider households earning less than 50% of ***AMI.*** Purchasing a home requires more than just being able to make the monthly mortgage payment. The ability to purchase a home requires a qualifying credit score, the necessary down payment, separate capital reserves for renovation or rehabilitation costs, upkeep and maintenance costs, property management costs (for two- and three-family units) and homeowners association fees (for condominiums). It has been the City's experience through the Down Payment and Closing Cost Assistance Program that barriers to homeownership are greatest for households earning less than 50% of AMI.

Table 8
Corresponding Maximum Value Thresholds Including Rental Income Calculation
City of Providence Subareas, RI

Income Bands	Maximum Price (FHA Standards) Two-Family	Maximum Price (FHA Standards) Three Family
Greater Downtown/ Woonasquatucket		
Extremely Low (30%) Income Limits	$233,230	$395,761
Very Low (50%) Income Limits	$280,575	$443,107
Low (80%) Income Limits	$351,114	$513,645
100% AMI	$398,620	$561,151
120% AMI	$445,837	$608,368
Greater West Side		
Extremely Low (30%) Income Limits	$215,676	$360,654
Very Low (50%) Income Limits	$263,022	$408,000
Low (80%) Income Limits	$333,561	$478,538
100% AMI	$381,066	$526,044
120% AMI	$428,284	$573,262
Fox Point		
Extremely Low (30%) Income Limits	$191,436	$312,174
Very Low (50%) Income Limits	$238,782	$359,519
Low (80%) Income Limits	$309,320	$430,058
100% AMI	$356,826	$477,563
120% AMI	$404,043	$524,781
Greater Northwest		
Extremely Low (30%) Income Limits	$170,353	$270,008
Very Low (50%) Income Limits	$217,699	$317,354
Low (80%) Income Limits	$288,238	$387,892
100% AMI	$335,743	$435,398
120% AMI	$382,961	$482,616
Greater East Side		
Extremely Low (30%) Income Limits	$224,964	$379,229
Very Low (50%) Income Limits	$272,310	$426,575
Low (80%) Income Limits	$342,848	$497,113
100% AMI	$390,354	$544,619
120% AMI	$437,571	$591,837
Elmhurst/ Mount Pleasant		
Extremely Low (30%) Income Limits	$164,131	$257,563
Very Low (50%) Income Limits	$211,476	$304,909
Low (80%) Income Limits	$282,015	$375,447
100% AMI	$329,521	$422,953
120% AMI	$376,738	$470,170
Silver Lake		
Extremely Low (30%) Income Limits	$177,040	$283,382
Very Low (50%) Income Limits	$224,386	$330,728
Low (80%) Income Limits	$294,925	$401,266
100% AMI	$342,430	$448,772
120% AMI	$389,648	$495,990
Greater Roger Williams Park		
Extremely Low (30%) Income Limits	$164,409	$258,120
Very Low (50%) Income Limits	$211,755	$305,466
Low (80%) Income Limits	$282,294	$376,004
100% AMI	$329,799	$423,510
120% AMI	$377,017	$470,728
Olneyville/ Hartford		
Extremely Low (30%) Income Limits	$177,505	$284,311
Very Low (50%) Income Limits	$224,850	$331,657
Low (80%) Income Limits	$295,389	$402,195
100% AMI	$342,895	$449,701
120% AMI	$390,112	$496,918
Broad Street/ Elmwood Avenue		
Extremely Low (30%) Income Limits	$184,935	$299,171
Very Low (50%) Income Limits	$232,280	$346,517
Low (80%) Income Limits	$302,819	$417,055
100% AMI	$350,325	$464,561
120% AMI	$397,542	$511,778

Source: HUD AMI 2019 and RKG Associates, Inc. 2020

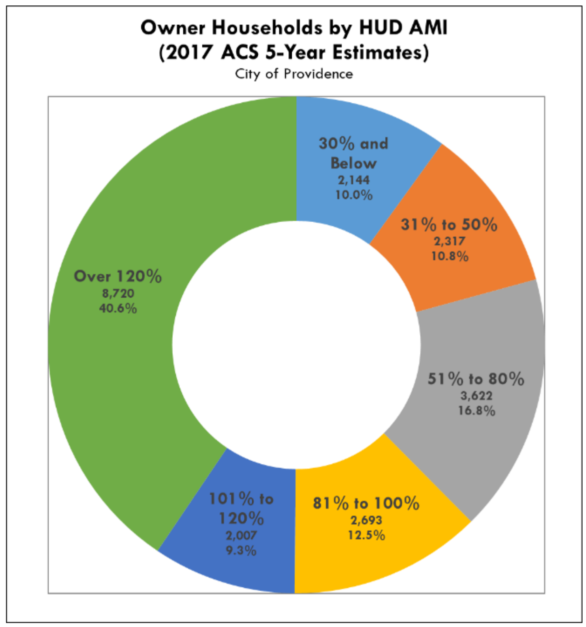
Homeownership Units by *AMI* Threshold

RKG Associates calculated the number of homeownership units that fall within each ***HUD***-defined ***AMI*** income band for each subarea and the City as a whole. The analysis was done twice. The first alternative assumed no rental income being considered for two- and three-family buyers. The second alternative assumed that two- and three-family buyers would count the potential income from renting the other units as part of their loan application. The results of these two scenarios are depicted in Figure 47 and 48 (on the next page). As seen, the ability to include up to 75% of potential rental income (based on local conventional lending practices) as income for a loan application has a substantial impact on price ***affordability*** in Providence. **Without rental income included, less than 4% of two-family units and less than 1% of three-family units are affordable to household earning 80% of *AMI.* When rent is counted, these numbers shift to 80% and 91%, respectively.** In comparison, approximately 40% of single-family units and 15% of condominium units are affordable to households earning 80% of ***AMI***.

7. Homeownership Demand Analysis

Unlike renter households, homeowner households are evenly split at the 100% of ***AMI*** income threshold, with more than 40% of ownership households earning above 120% of ***AMI.*** In contrast, only 21% of homeowner households earn below 50% of ***AMI*** (Figure 49). The ***ACS*** socioeconomic data indicate the vast majority of these are senior households that have been homeowners for a long time and are now retired. These findings are consistent with national trends, as homeowners tend to have higher incomes than renter households due to the barriers to ownership detailed in the previous section.

Figure 49



Like renter households, the distribution of homeowner households by income is disproportionate within the City's subareas. **The Olneyville/Hartford and Broad Street/Elmwood Avenue subareas have the highest concentration of *low- and moderate-income* homeowner households while Greater East Side and Fox Point subareas have the highest concentrations of homeowner households earning above 120% of *AMI*** (Figure 50). The Elmhurst/Mount Pleasant subarea has a smaller, but significant affluent homeowner base as well. The concentrations of affluence correspond with the concentrations of higher-valued homes.

Figure 47

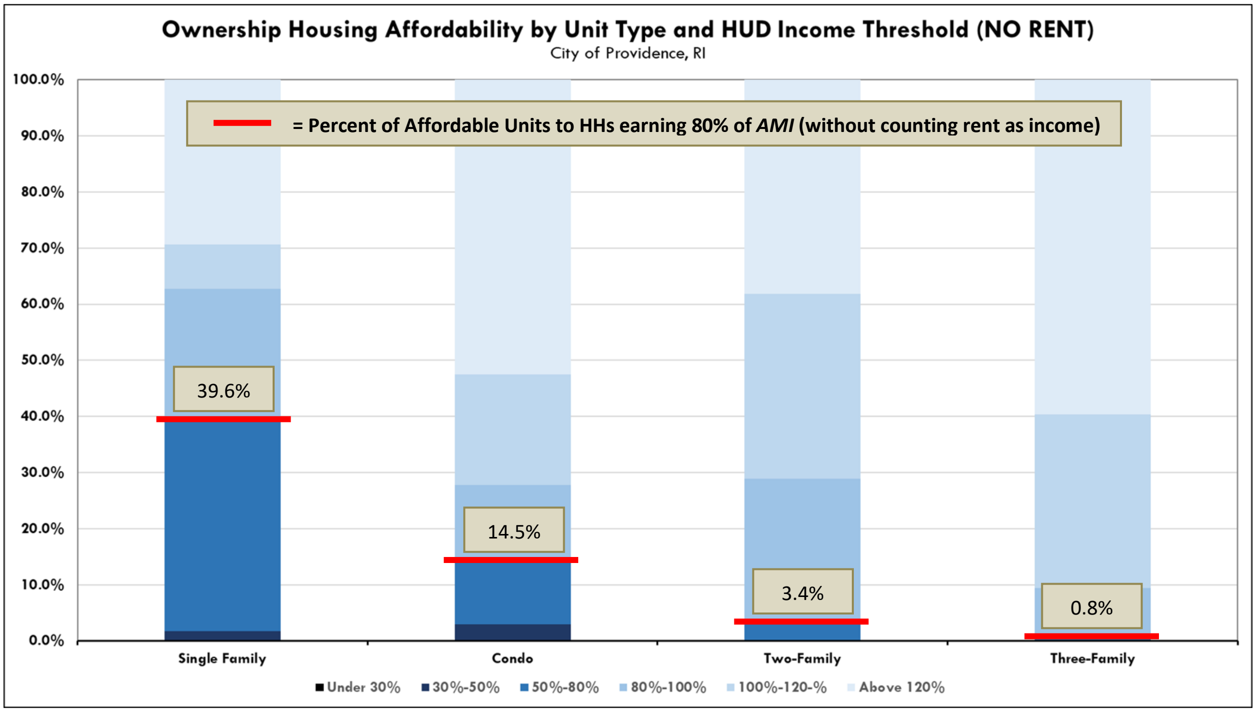


Figure 48

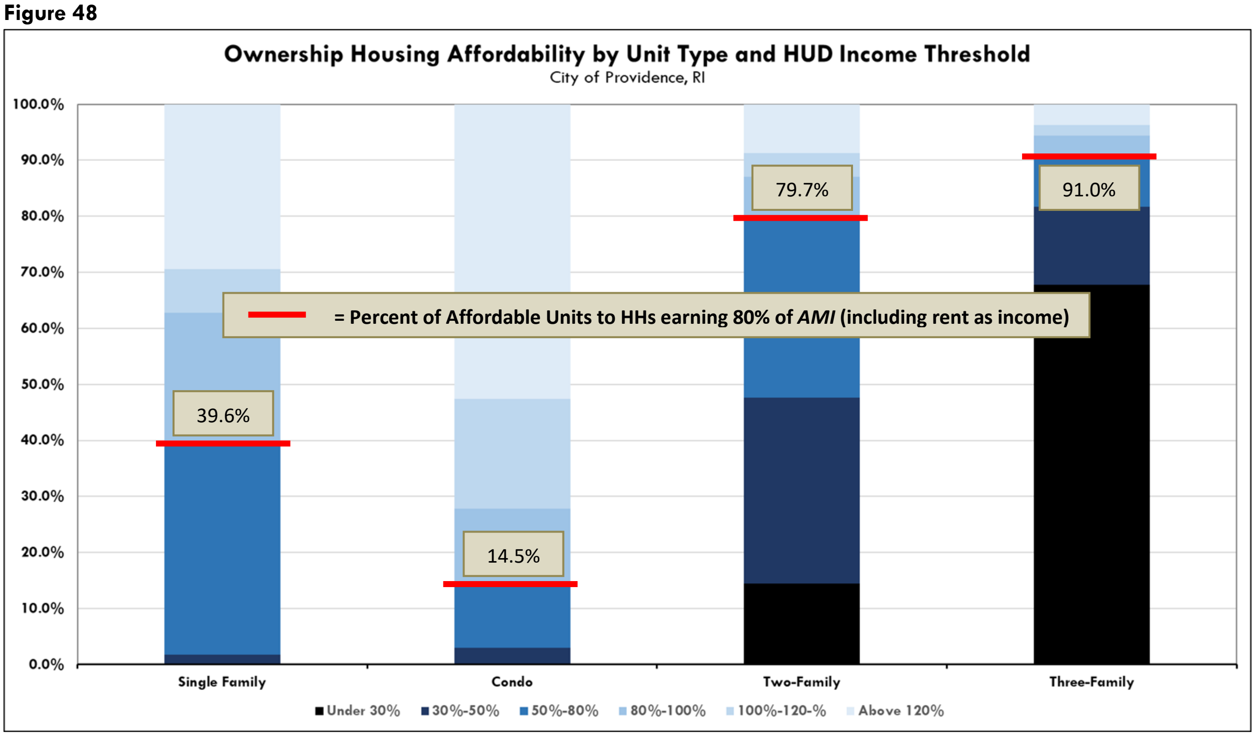
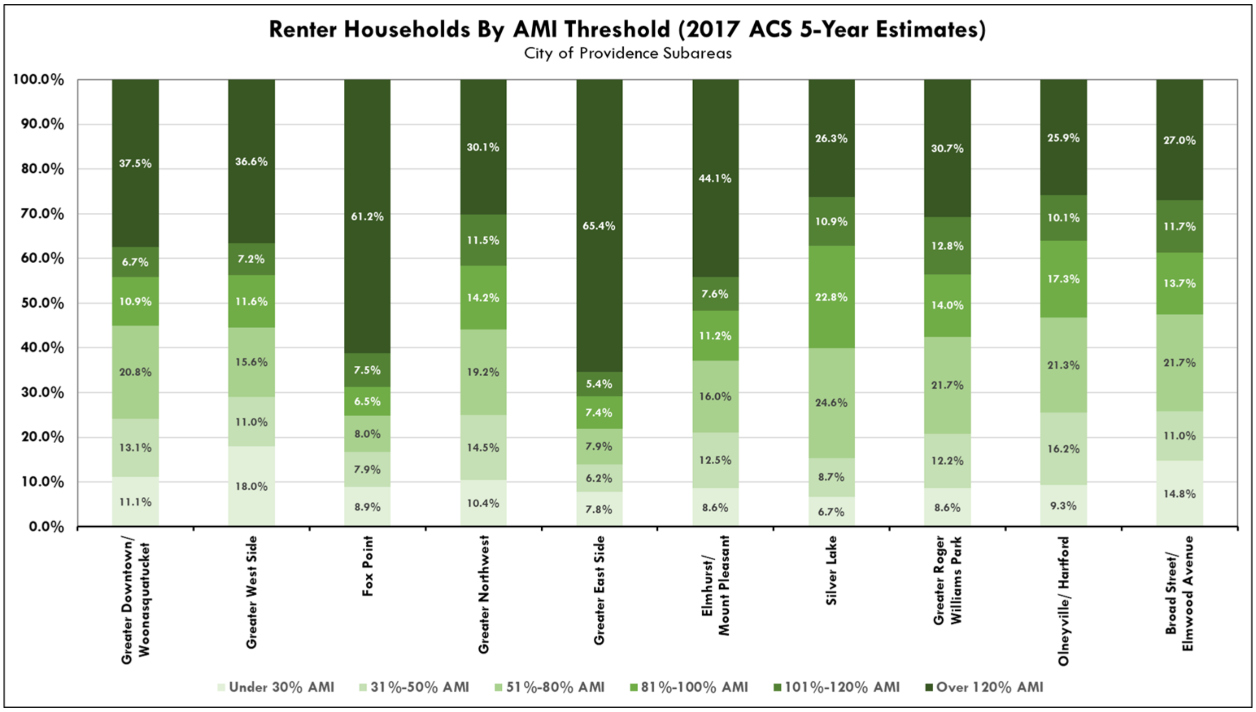


Figure 50



8. Ownership Housing Gap Analysis

The supply and demand comparison varies greatly based on whether rental income is considered for two- and three-family units. Without including rental income as part of a loan application, the City has sufficient ownership housing for households earning above 100% of ***AMI*** (Figure 51). The market value of two- and three-family structures are high enough (due to their rental income potential) to yield a result that would indicate Providence has an appropriate mix of homeownership options by price point based on the income levels of Providence homeowners. However, the ***affordability*** balance changes substantially when including rental income for two- and three-family structures as part of the owner's overall income (Figure 52). As seen, **there is a shortage of more than 3,100 *price-appropriate* housing units for households earning more than 100% if *AMI*.** This finding is significant for two reasons:

- **Cost of ownership impacts true '*affordability*' for low- and moderate-income households.** Households earning between 50% and 100% of ***AMI*** have fewer financial resources to be able to manage and maintain rental units. This is a particular challenge in Providence, as most two- and three-family properties are over 50 years old. Even if these households can afford the purchase price of a two- or three-family property using the rental income to augment their household income, they have a higher risk of financial issues if they cannot maintain a tenant consistently or experience unexpected, high repair costs due to unit age. Unfortunately, almost all of the ownership housing units affordable to these households are two- and three-family properties.

Figure 51

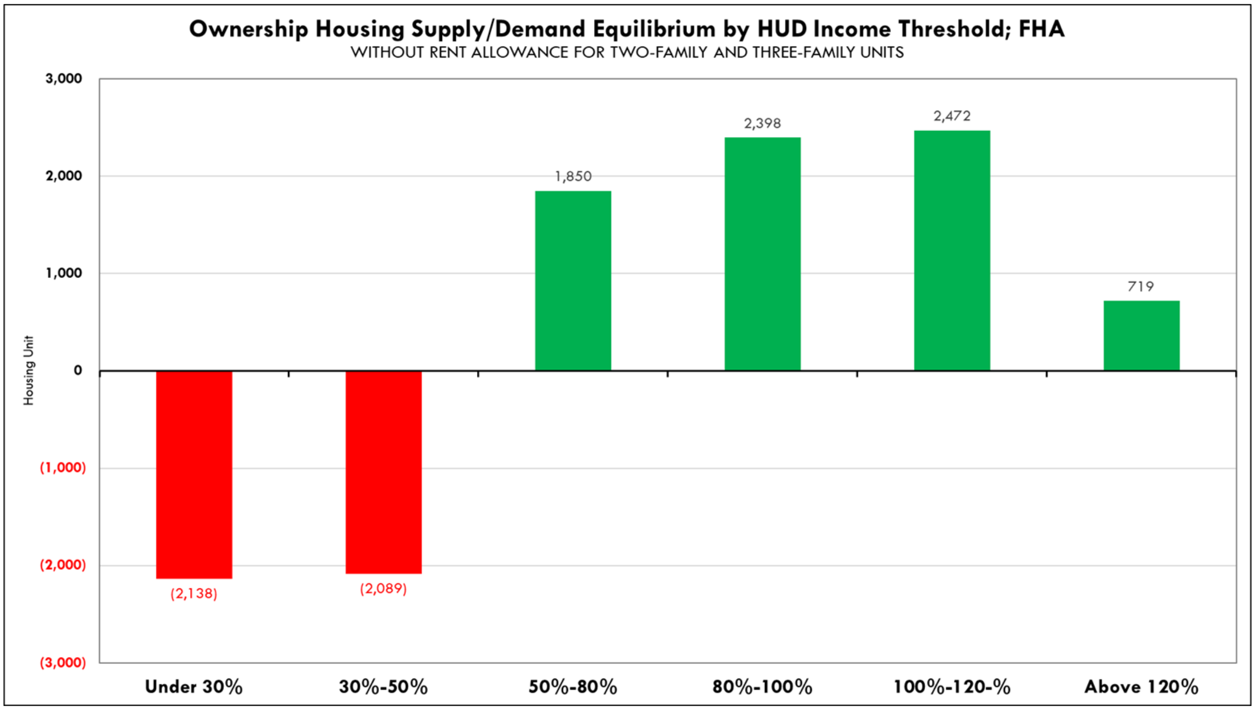
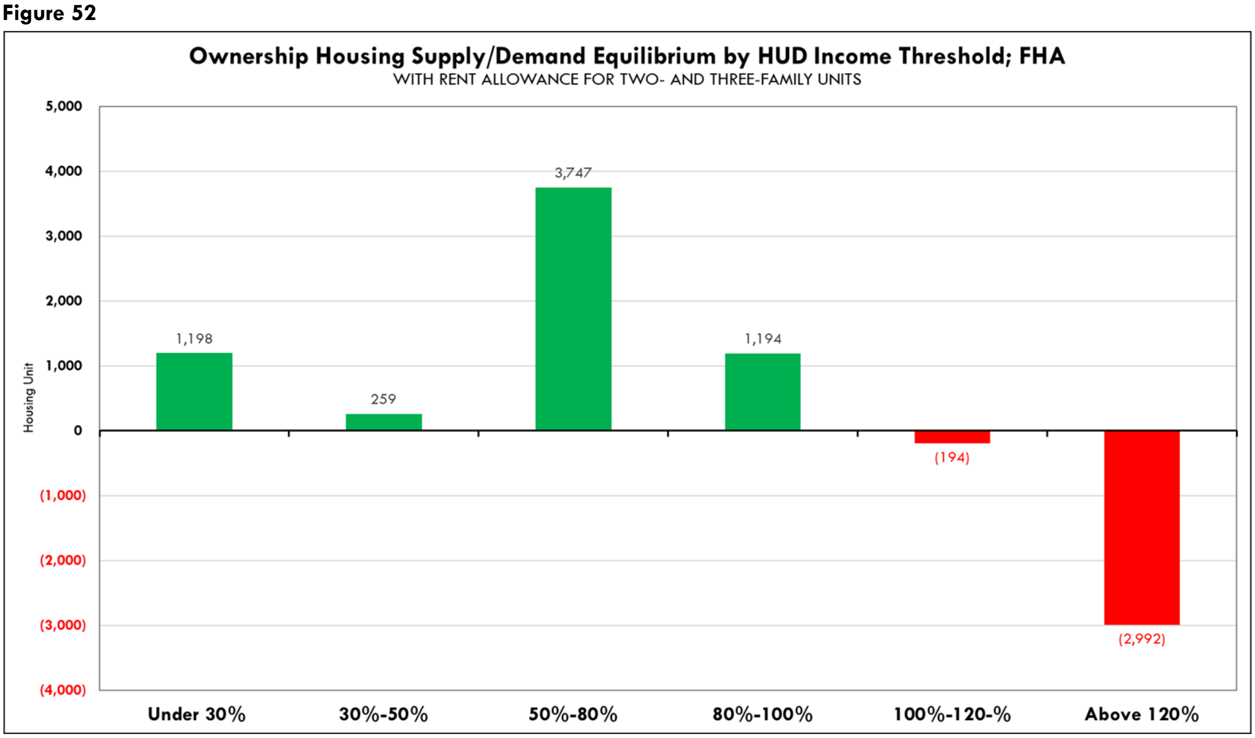


Figure 52



- **Homeownership preference is for single-family and condominium units.** Local real estate professionals indicated that higher-income households seeking homeownership opportunities in Providence prefer not to have renters attached to their home or rental units to manage. Even those households that seek condominium ownership options generally do not want the responsibility of managing other housing units. The vertical nature of Providence's two- and three-family properties compounds this challenge, requiring ***owner-occupants*** of these properties to have tenants live above them or have to climb stairs and live in the top unit. Given the large proportion of two- and three-family properties in Providence, this reduces overall demand for homeownership in the City.

Like the rental housing analysis, the lack of housing options for single-family homes is placing downward pressure on the marketplace in subareas that have the highest homeownership desirability. The limited supply in these areas is making houses appreciate faster than income levels, limiting choice for low- and moderate-income households especially in subareas like Greater East Side and Fox Point. Greater opportunity exists for low- and moderate-income households when two- and three-family properties are considered, but generally require these households to rely on steady income from rental units and avoid any costly repair or rehabilitation needs. The City's Down Payment and Closing Cost Assistance Program helps households earning less than 80% of ***AMI*** become homeowners but is extremely limited in its ability to assist with repair and rehabilitation costs due to challenging federal funding requirements.

FUTURE SUPPLY AND DEMAND ANALYSIS

RKG Associates performed a future supply and demand analysis, projecting household and housing unit growth in Providence. Household growth projections came from two sources. The net household growth projections were created by the State of Rhode Island Division of Statewide Planning through their population projection efforts. Specific household characteristic projections were derived from a study performed by the ***Metropolitan Area Planning Commission (MAPC)*** on behalf of the State of Rhode Island. This effort projected new household formations by age of householder, race, and ***AMI*** for both ownership and renter households. The ***MAPC*** projection data also allocated households by ***HUD AMI*** income thresholds. The City of Providence was a separate subarea analyzed as part of this effort, which is the data the future demand analysis uses. The supply development projections were derived from the City's development pipeline data collected by the City's Planning Department (detailed on page B-35), using recent development valuations to estimate pricing levels by ***AMI*** threshold.

1. Key Findings

From a supply perspective, the recent development boom may be disrupted by shifting market forces, particularly the impact of COVID-19. The City's property assessment data indicates approximately 1,850 units were delivered in the past decade. The current development pipeline has 1,849 proposed new units known to the City (with an additional 820 currently under construction); however, local real estate professionals expressed concern about the viability of the full pipeline because units have not been filling as quickly recently. The impact of COVID-19 is causing further concern in the development community, as changes in employment and peoples' ***ability to pay*** their bills are still in-flux.

Of the known upcoming development projects, *affordability* trends are projected to continue as well. Approximately 12% of these units are projected to be price controlled (slightly below the historic average of 14%); however, almost 93% of proposed affordable units are concentrated in Olneyville, Hartford and the area surrounding Broad Street and Elmwood Avenue. These submarkets already account for almost 50% of the City's ***income-controlled*** supply.

The analyses reveal a mismatch between new construction development patterns and projected demand. From a rental housing perspective, households earning below 80% of *AMI* constitute 100% of the household growth in Providence, increasing by almost 2,600 households. In fact, households earning above 80% of *AMI* are projected to decline by nearly 1,300 households. This is primarily due to the fact that Providence has the highest concentration of modest-priced housing in the region, other communities' land use policies discourage housing price and unit type diversity, and Providence is Rhode Island's largest supportive service and employment center. Regardless of reason, this is counter to pricing projections, where all non-subsidized units are expected to price above 120% of ***AMI***. While development in areas like Downtown and the East Side will be buoyed by high demand for these areas, other areas of Providence may be challenged to realize the projected growth without subsidies. From an ownership perspective, only those households earning above 120% of ***AMI*** will have better housing choice under anticipated development projections. The net increase in units for households earning below 30% results from lower-earning households moving out of Providence, not from new development meeting these households' needs.

2. 2030 Projected Housing Demand

The ***MAPC*** analysis indicates that the City's total household count is projected to increase at a stable pace through 2030, increasing 3.8% (2,158 net new households) or over the next decade. Projected growth rates are similar for homeowner and renter households; however, distribution of households by income level differs by ***housing tenure***. **Homeowner households are projected to increase in all income groups except under 30% *AMI*** (Figure 53). **The strongest growth in homeowner households is projected to be in households earning between 50% to 80% *AMI* (605 households).** This finding is consistent with the City's homeownership housing values, as the largest share of properties are valued in this range.

In comparison, only renter households earning below 80% of *AMI* are projected to experience a net growth through 2030 (Figure 54)**.** This finding also reflects the impact of the City's existing rental housing stock, indicating the regional rental housing market will remain consistent. **The largest net increase for renter households within Providence is for households earning less than 30% *AMI.*** This is due to Providence having the highest concentration of modest-priced housing in the region, other communities' land use policies discouraging housing price and unity type diversity, the City's continued commitment to developing new housing across the entire cost spectrum, and Providence's concentration of support services.

Interestingly, the ***MAPC*** projections have a net decline in higher earning households despite the recent development activity for high-end rentals. As noted in the ***affordability*** analysis, the City is substantially underserved for more affluent renter households. These new developments likely are attracting as many existing City residents as they are new households into Providence. Regardless, ***MAPC's*** projections show that the lack of options is negatively impacting the net number of higher-income households.

Figure 53

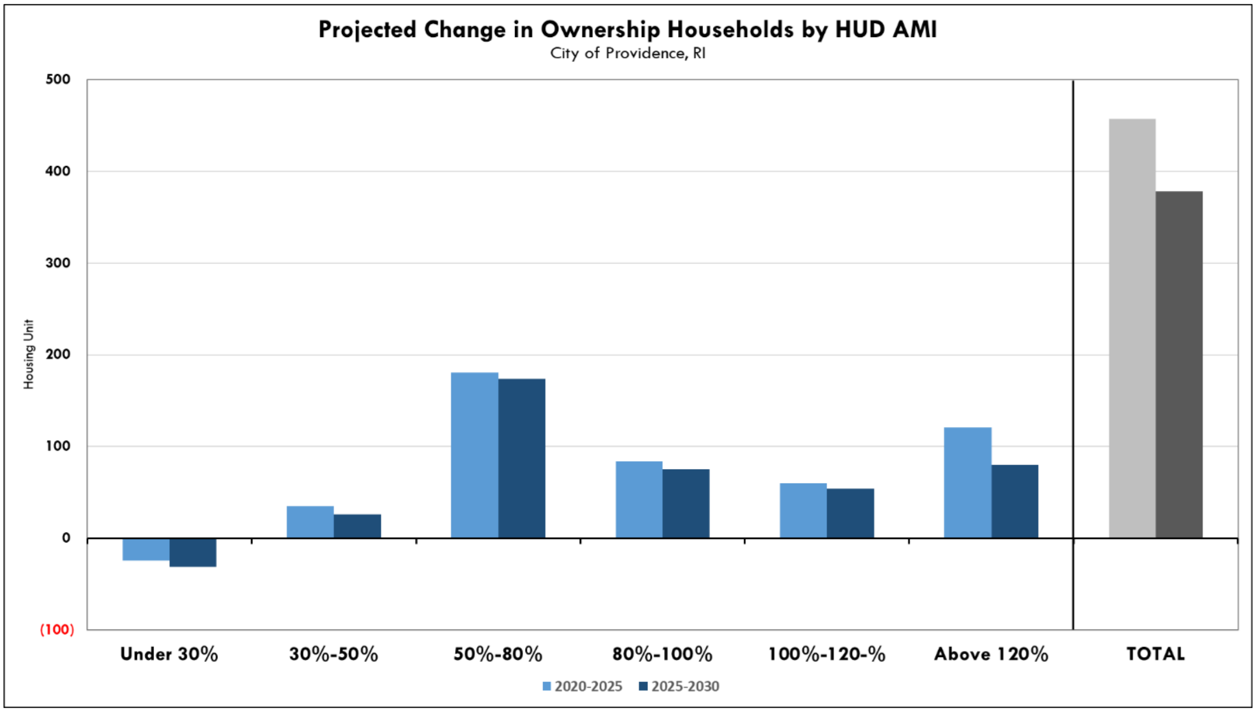
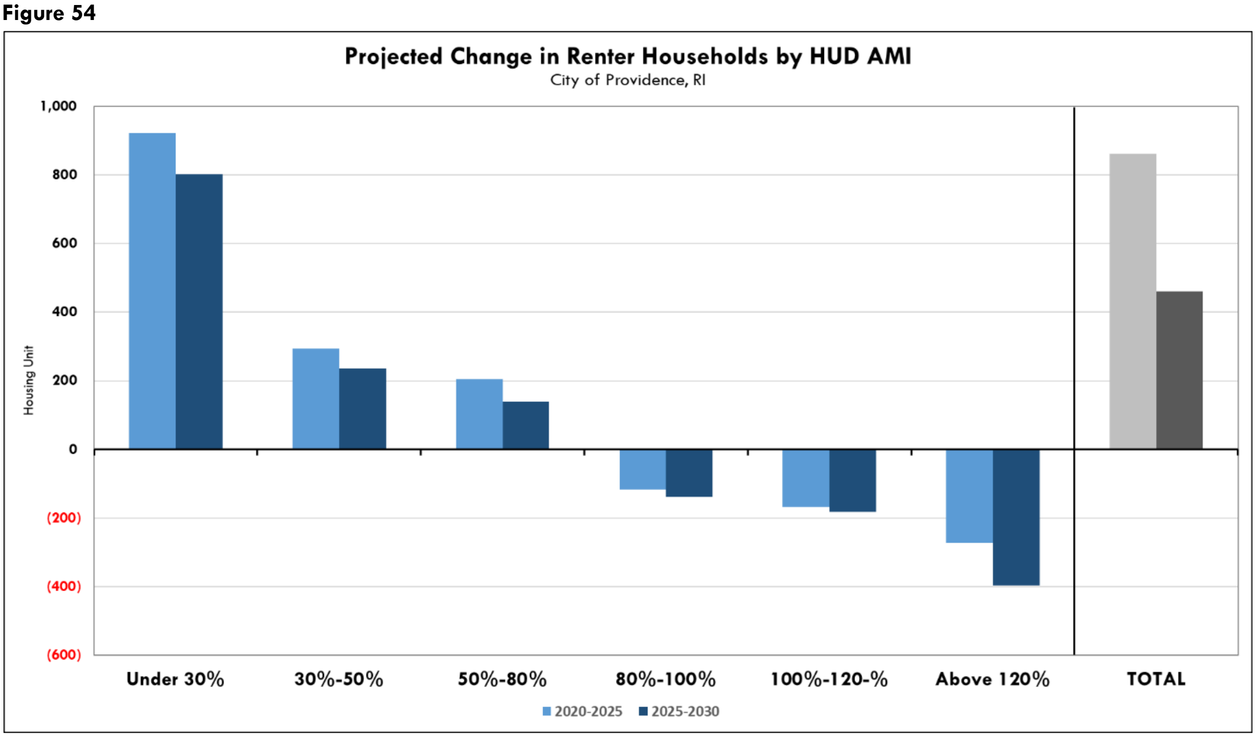


Figure 54



3. Projected Gap Analysis

Prior to assessing the projected supply and demand gap analysis, it is important to note that known future development shown in the City's development tracker is all multifamily, since the development tracker only accounts for large-scale projects that require review and approval by the City Plan Commission, Downtown Design Review Committee, or I-195 Commission . That said, RKG believes there will be some single-, two-, and three-family property development over the next decade. As a point of reference, the City's property assessment database indicates 274 single-, two-, and three-family properties were built since 2010.

Further, the City's development pipeline database does not indicate expected price points for market rate units. ***income-controlled*** units are anticipated to be priced at 50% of ***AMI***. Based on pricing trends for properties built since 2010, RKG Associates assumed all new ***market-rate*** construction will be priced above 120% of ***AMI***.

The analyses reveal a mismatch between new construction development patterns and projected demand. From a rental housing perspective, households earning below 80% of *AMI* constitute 100% of the household growth in Providence, increasing by almost 2,600 households over the next ten years. In fact, households earning above 80% of *AMI* are projected to decline by nearly 1,300 households over the next ten years. In contrast, almost all non-subsidized new rental construction is expected to price above 120% of *AMI*. To this point, the City is projected to experience a net increase in rental housing shortage for all households earning below 80% of *AMI* (Figure 55). This is particularly problematic for households earning below 30% of *AMI*, where the City already has a net shortage of almost 5,800 units. The net increase in supply for households earning above 100% ***AMI*** is equally due to higher-earning renter households leaving Providence as it is the new construction of higher-cost rental units.

From an ownership perspective, only those households earning above 120% of ***AMI*** are projected to have more housing choice in ten years (Figure 56). The net increase in units for households earning below 30% of ***AMI*** results from lower-earning households moving out of Providence, not from new development meeting these households' needs. **The tightening marketplace, particularly for those households earning between 50% of *AMI* and 80% of *AMI*, will continue to limit choice and opportunity.**

The projected gap analysis indicates that current market conditions most likely will continue into the future without an adjustment in housing development approach by the City and its implementation partners. The marketplace is responding to Providence's unmet housing needs. Most notably, the demand for higher-end rental and ownership housing in highly desirable locations (such Downtown Providence and the Greater East Side) is driving the marketplace. This is not surprising, as private sector developers and investors seek to maximize their return on investment.

Figure 55

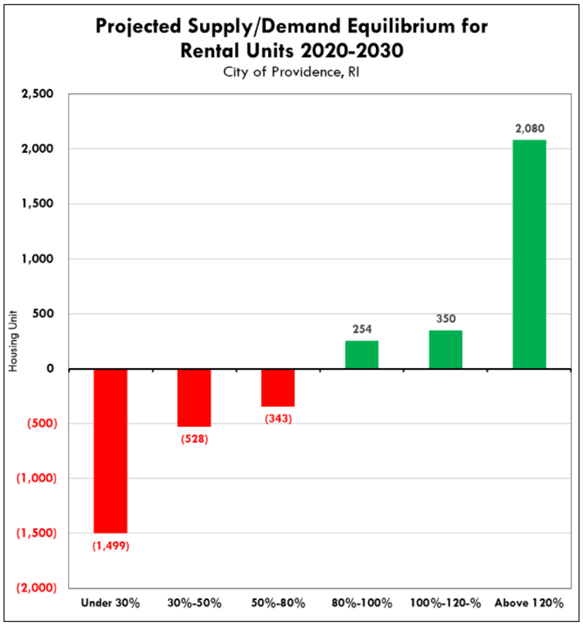
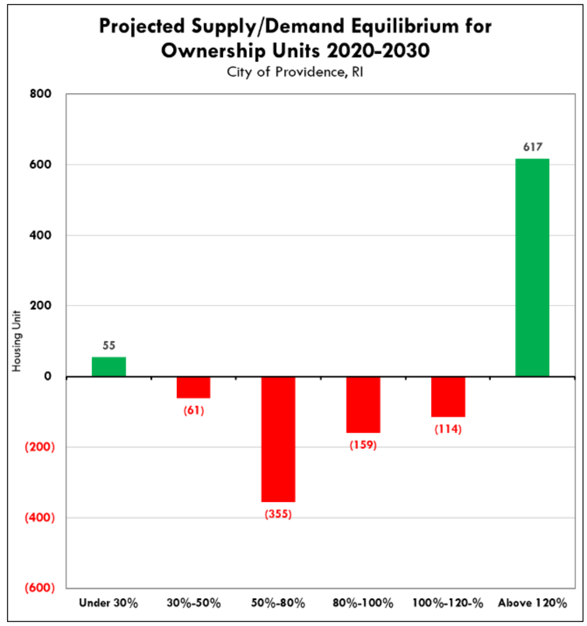


Figure 56



While higher-end rental development in areas like Downtown and the East Side are feasible by high demand for these areas, other areas of Providence may be challenged to realize the projected growth due to existing—and likely worsening—market conditions. The combination of high costs for land and construction and the City's higher taxing rates (particularly for rental housing development) make ***market-rate*** construction challenging in the secondary and tertiary markets with the City due to the relatively lower potential revenue opportunities.

Ultimately, the City faces two distinct new construction housing challenges. First, incorporating additional *income-controlled* units in new projects within areas that have very little opportunities for lower-earning households creates a financial hardship on new development without some form of cost relief (such as financial incentives or height bonuses). Second, attracting market rate development in less competitive areas is challenged due to the financial disparity between cost of development and potential return. In these cases, greater subsidy (either financial or regulatory) and neighborhood revitalization will be required to make these strategies sustainable in the long-term. That said, efforts to improve the availability and quality of amenities in less-competitive areas risks displacement as these areas become more attractive to renter households with higher incomes, and need to be done balancing investment with providing existing residents the potential to remain in their community. To avoid displacement, it is important that anti-displacement strategies (as outlined in this document) are simultaneously implemented.