Community Housing Land Trust of Rhode Island

April 3, 2025

The Honorable Stephen Casey
Chair, House Committee on Housing and Municipal Government
Rhode Island State House
Providence, RI 02903

RE: In opposition of H5956

Dear Chairman Casey and members of the Committee,

On behalf of the Community Housing Land Trust of Rhode Island and the hundreds of low and moderate income homebuyers we serve in our role as Monitoring Agent, I write in **strong opposition of H5956**, legislation that would change the maximum sales price calculation formula for certain for-sale low and moderate income homes.

During the last four legislative sessions, the growing need for more affordable housing in this state has taken center stage with policymakers. Historically low inventory of homes for sale and for rent coupled with exploding demand for housing have driven housing costs out of reach for many Rhode Islanders, particularly our lowest income households. Decades long reductions in building permit activity, restrictive land use policies, low vacancy rates, the state's chronic underinvestment in affordable housing and inadequate worker wages have all been major contributing factors to the lack of available homes and housing unaffordability. January 2025 data from the RI Realtors Association reveal that for-sale home prices continue to rise – with the median sales price for a single family home standing at $465,000 (year over year/YOY increase of 5.26%); the median sales price for a condominium standing at $403,000 (YOY increase of 24%); and the median sales price for a multi-family home standing at $550,000 (YOY increase of 15.79%). In order to afford the median priced single family home, a household would need to earn roughly $150,000 annually. Yet, Rhode Island's median (overall) household income is only $86,372 and median renter household income is much lower at $48,434 annually.

For these low and moderate income households, affordable housing represents the only viable path towards becoming homeowners. If enacted, **H5956** would put even affordable homeownership opportunities out of reach for many of the households we aim to serve by increasing the maximum allowable sales price by 27%.

As drafted, **H5956** applies this increased calculation to primarily two types of homeownership transactions: those that receive state subsidy and those that are privately financed. My testimony will respond to these elements separately because they function differently. The reference to preserving the 30% calculation for federally funded homeownership units is functionally obsolete because the only federal source for developing homeownership properties is HOME funding, and due to the complexity of using it for homeownership, RI has prioritized using it for rental development (also an allowable use).

The primary argument being made in support of **H5956** is that in increasing the income basis of the sales price calculation, from 30% to 38% of a household's income, the state could use its limited financial resources more efficiently by reducing the subsidy that it contributes to each deal. Mathematically this is true. More households can be served by a subsidy source that is more thinly spread. But numerically, serving more households comes at a cost. The tradeoff of **H5956** is that in order for homeownership investment to be "cheaper" for the state, we must make it more expensive for individual buyers. **H5956** does not lower the total development cost of housing but rather redistributes how and by whom those costs are borne.

The subsidy savings argument holds zero water when affordable units are developed only with "private" financing. "Private" financing refers to scenarios where the developer utilizes their own resources or construction lending products to finance their development and then either recaptures their funds or pays off the private debt through the individual sales transactions. Affordable homes developed this way typically utilize a Comprehensive Permit application and are part of mixed income development where 25% of the homes are affordable according to LMI guidelines and the remaining 75% are market rate. The subsidy is these instances is not a direct financial subsidy from the state but rather a density bonus and other zoning relief that makes the project financially feasible. The density bonus allows the developer to build more market rate units than what they are allowed by right under the municipalities' underlying zoning, and the proceeds from the sale of those additional market rate units are intended to fill any potential financing "gaps" that the affordable units may have created. Over the last ten years, most of the affordable homeownership units produced in Rhode Island have actually come online as the result of a Comprehensive Permit application and are built by for-profit developers. I can confidently say in at least 97% of the Comprehensive Permits that I have worked on over the last 13 years (90+), the developer did not utilize any direct financial subsidy from the state and instances where developments came online, were able to make their development financially feasible based on the zoning relief it received. It is also important to remember that up until last year, the density bonus language within the Comprehensive Permit law was quite loose and largely left up to the Town. Under changes the General Assembly passed last year, the density bonus is more prescriptive and more generous. In privately financed transactions, the formula proposed within **H5956** would simply allow the developer to sell the same home for more money, without any benefit or "savings" to the state. Any claim made by the development community (in which a direct financial subsidy is not provided) that if affordable homes could be sold for more, then they would build more, is speculative, as there is not specific language within **H5956** that guarantees a higher level of production of affordable units.

The bill's authors justify this increase to individual homebuyers by claiming that under traditional underwriting standards, borrowers can borrow more money. Many lending institutions will allow borrowers to carry up to 50% "front end" debt, depending on their credit worthiness, employment history etc. The higher the ration, the more vulnerable the borrower is to the potential for default. In lending terms, the "back end" ratio refers to the percentage of a household' gross monthly income that is used to cover that household's debt – including <u>minimum</u> monthly credit card payments, auto and student loan debt, other liabilities such as judgements, child support/alimony and the proposed principal and interest payments, PMI payments, condo/homeowners insurance, taxes and other insurance. So as an example: A household making $9,000 a month gross income, with a proposed housing payment of $2,700 per month (30% of their income) and additional debt totaling $760 (let's say $200/ month student loan, a $500 monthly car loan, and $60 monthly credit card payments) would have a back end ratio of 38.4% ($3,460/$9,000). If we applied the 38% standard that this bill proposes, the housing payment would increase from $2,700 to $3,420 per month (38% of $9,000) and the back end ratio, assuming the same debt as previous, would shift to 46.4%.

So you can see, borrowers with lower or no other debts or with higher incomes, there is opportunity to carry more housing debt, and **H5956**, seeks, wrongly, to capitalize on that opportunity. In fact, many of the lending products designed to specifically serve lower income borrowers would be almost impossible to use as those products require "front end" ratios (the portion of a person's monthly income going to housing related expenses) to be lower than the 38% proposed in the bill to qualify for the loan.

Almost all of the homeownership units built by for-profit developers that I have worked on have been at 120% AMI limit because that income targeting yields the highest sales price. For context, a very typical development that I see in our portfolio is a two-bedroom condominium with an initial monthly condo fee of roughly $300 per month. At a 120% AMI, this home would be priced at roughly $324,000, had it been priced for an 80% AMI buyer, that max sales price would have been roughly $203,000. Under the 38% standard authorized in **H5696**, that 120% AMI unit sales price could balloon to $410,816 (+86,496) and on the 80% AMI unit sales price to $257,147 (+54,141).

Last year, the Community Housing Land Trust of RI conducted an in-depth analysis of the buyers and tenants of the homes it holds in its portfolio. I have included a copy of that full report with my testimony. Our portfolio is comprised primarily of affordable units developed using the Comprehensive Permit by for-profit developers. While many interesting and important trends emerged from that analysis, the data most relevant to our discussion today on **H5956**, is that the affordable housing being created is often actually not affordable to the residents who utilize it. The median income of the buyers of 120% AMI priced homes was 80% AMI. By now you are probably asking how is it possible that we are building affordable housing that isn't really affordable. Great question! I've elaborated on that below:

At present, the formula for price setting on for-sale affordable homes is already advantageous for the developer/seller of the home. We price homes based on 30% of the target income buyer's maximum allowable income, using bedrooms plus one person as the basis for determining income. So as an example for **a two bedroom** home with an income limit of 120% AMI, we would use 30% of $121,440 (the 120% income limit for a household of **three persons**) to set the maximum sales price. In continuing the example begun earlier, let's assume that home is located in Warwick so we use their current tax rate, a condo fee of $300 per month and current interest rates to arrive at a maximum sales price of roughly $324,000. This is the price we would give the developer and they would list the home as such. Along comes a potential buyer, let's call her Sally. Sally is a single person household and in order to qualify for this home, she would need to demonstrate that her gross income is below the one-person income limit of $94,440. Remember though, the price was set using what was affordable to a household making $121,440 annually, which Sally can't make to be eligible. The price on the unit will not change simply because Sally can't or wouldn't make the assumed income in the price setting calculation. If we had priced the home assuming Sally made the maximum income she could earn ($94,440) and had no other debt, the max sales price on that same home priced to be affordable to Sally would be a sales price no higher than $243,000, almost $81,000 less than what the unit is priced at. <u>Therefore under the current price setting formula, we are already pricing units at levels far more beneficial to the developer/seller than the buyer, using 30% of the target income household (not the actual income of the potential buyer) and inflating household size by using a bedroom **plus one** </u>person basis. The impact of increasing the 30% to 38% as proposed in H5956 only exacerbates this inequity of the pricing of for-sale affordable homes.

In preparation for this hearing, the CHLT conducted an analysis of the sales (54) it transacted over the past 12 months and developed a buyer profile, and then overlaid the impact that **H5956** would have had on those transactions, had it been in place when those transactions occurred. What that analysis showed is as follows:

- Average income of buyers was $72,091 annual income
- Average AMI of buyers was 88%
- Average home sale price was $281,553
- 47% of homebuyers were 55 years or older
- 52% of buyers were employed in full time employment; 41% of buyers were retired or working less than 20 hours per week; 7% of buyers were at home caregivers to children, an adult with disabilities or older adults
- 73% of buyers utilized a mortgage to purchase the home; 27% of buyers were able to buy the home with cash (as the result of the sale of a market rate home)
- 35 out of 54 buyers were first time homebuyers
- 64% of buyers were 1 person households; 24% of buyers were 2 person households; 7% of households were 3-4 person households and 5% of buyers were households of 5-6 persons. It is important to note that all but one household with 5-6 persons included a member from their extended family such as a disabled sibling or relative or an older adult such as a parent
- 4 of 54 units were priced for 80% AMI buyers, all of these transactions were re-sales
- 14 of 54 units were priced for 100% AMI buyers, 12 of these transactions were re-sales and 2 were new construction
- 36 of 54 units were priced for 120% AMI buyers, 32 of these transactions were new sales and 4 were re-sales
- Of the 20 re-sale transactions, only 2 of the units (10%) had received direct financial subsidy, the remaining 18 units only utilized the benefits offered within the Comprehensive Permit application
- Of the 34 new sales transactions, only 3 of the units (8.9%) had received direct financial subsidy, the remaining 31 only utilized the benefits offered within the Comprehensive Permit application

If **H5956** had been in effect when these 54 sales transactions had occurred, the impact of that would have been as follows:

- Average home sale price would have risen by $73,908 to a new average of $355,461.
- 10 of the 15 homebuyers (all retired) who were able to purchase their homes for cash lacked the additional financial resources to absorb the price increase and would have needed to take a mortgage to purchase the property
- 13 of the 39 homebuyers who utilized a mortgage to purchase their home would likely not have met the underwriting criteria to secure a loan at the increased price and wouldn't have been able to purchase the home at all
- 15 of the 39 homebuyers who utilized a mortgage to purchase their home would have needed to increase their loan amount to compensate for the increased price and would have had back end debt to income ratios between 42 – 48%. They still would have been able to purchase the home but would be more cost burdened in doing so

So ultimately what does **H5956** mean for low and moderate income homebuyers? It means that borrowers that can "afford" to take on more debt, will. Borrowers that can't take on more debt, due to their lower incomes or other debts, will continue to find themselves excluded from homeownership opportunities.

Aside from potentially excluding the very homebuyers who need our assistance the most, we also run the very real risk of making those homebuyers who are still able to move forward worse off by forcing them to take on more housing debt. Rising housing related costs (insurance, condo fees, property taxes and maintenance costs) along with ever increasing everyday living expenses are stretching household budgets to the limit and threaten overall financial stability. Households will typically compensate for these increased "today" costs by cutting "later" costs like retirement contributions or establishing adequate savings reserves.

The financial stability of Rhode Island households is important to Rhode Island for a wide range of reasons. In the context of deed-restricted affordable housing, the impact of financial insecurity is there is greater potential for mortgage delinquency and foreclosure. If a deed restricted property goes through the foreclosure process, that deed restriction is wiped out and we lose that home from our affordable inventory. As a Monitoring Agent, the CHLT works very hard to protect our affordable housing stock – requiring homebuyers to participate in high quality pre-purchase homebuyer education, connecting distressed homebuyers to available resources, and advocating for polices that support continued affordability. As a result of the CHLT's efforts, over the last 10 years we have only needed to intervene in five foreclosure initiations, all of which were successfully resolved and the homes retained.

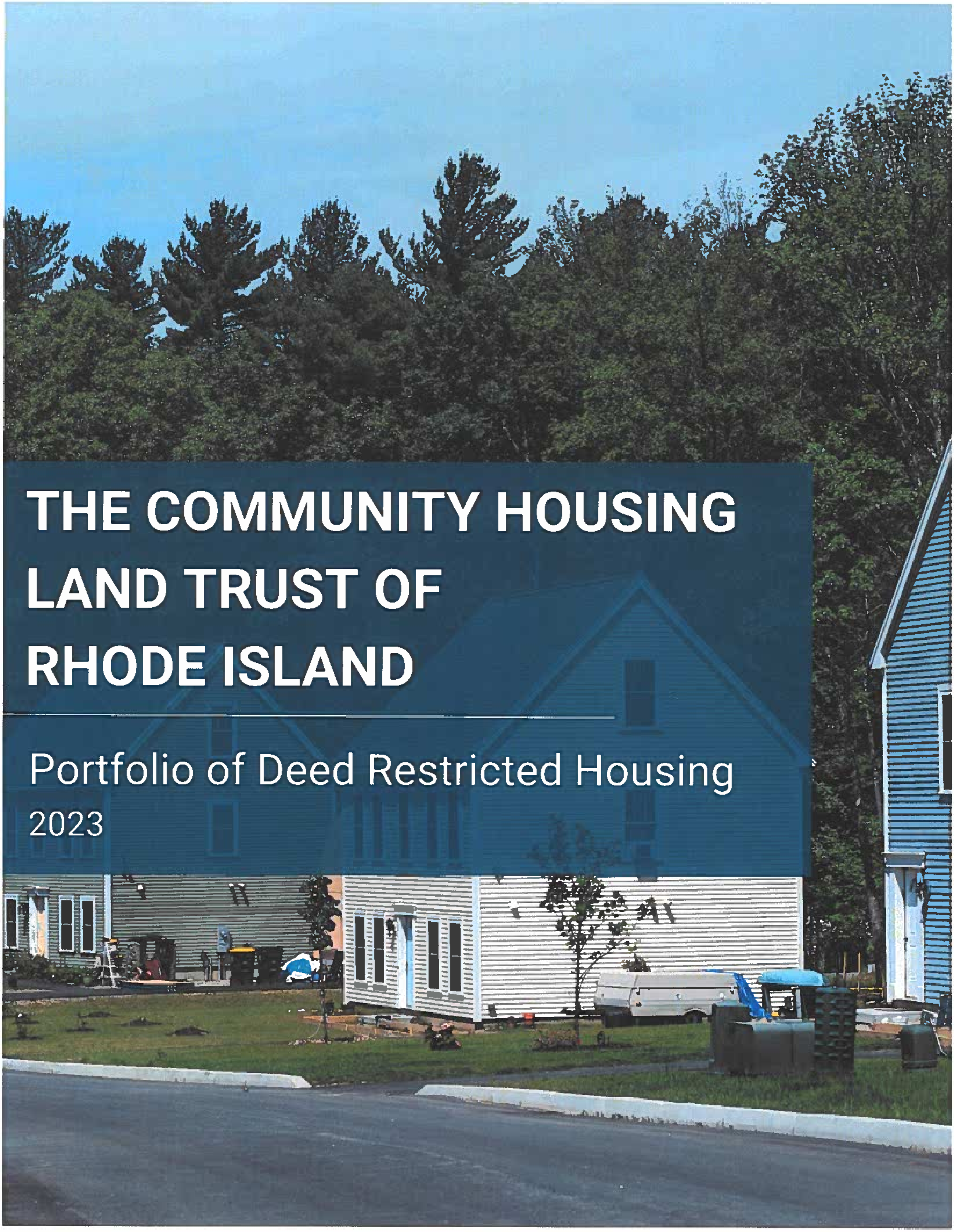
While there may be some merit to exploring how the state uses its subsidy dollars more efficiently, we cannot ignore that more dialogue within the development sector is required and there must be a more comprehensive and in depth analysis completed to better understand the full range of impacts such a policy change would trigger. There should also be separate analysis completed that contemplates what expanded or additional provisions are needed in the Comprehensive Permit application process, or otherwise, to support for-profit developers where no direct subsidy is being provided. In either regard, there should as whole be more thoughtfulness given to the impact that policy shifts in pricing strategies have on low and moderate income homebuyers and ensuring that we are setting households up for long term success and sustainability.

For these reasons, the Community Housing Land Trust of RI **strongly opposes H5956** and urge the Committee to hold this bill for further study. I am happy to answer any questions and can be reached at 401-721-5680 x 104 or mlodge@housingnetworkri.org.

Respectfully submitted,

Melina Lodge

Melina Lodge
Executive Director



THE COMMUNITY HOUSING LAND TRUST OF RHODE ISLAND

Portfolio of Deed Restricted Housing

2023

CHLT ROLES AND ACHIEVEMENTS

The Community Housing Land Trust of Rhode Island (CHLT) is a non-profit affiliated with the Housing Network of Rhode Island (HNRI) with a mission to expand Rhode Island's supply of affordable housing and maintain this investment for future generations. The CHLT has served as an approved Monitoring Agent for almost two decades and is presently the largest and highest performing Monitoring Agent in the state. Monitoring Agents are key to ensuring affordable homes are occupied by income eligible households and remain affordable for the duration of the deed restrictions.

As a Monitoring Agent for affordable homes created under RIGL 45-53, the Low- and Moderate-Income Housing Act (LMIHA), the CHLT brings expertise and experience to the work of certifying tenant or owner eligibility, ensuring ownership sales and re-sales are at affordable levels, setting monthly rental limits, and overseeing conformity with all aspects of the deed restrictions put in place to preserve affordability. Throughout the year, the CHLT acts as a resource for tenants and owners communicating on their obligations under the deed restriction, answering technical questions, and problem solving through financial and life stage fluctuations.

> The CHLT has served as an approved Monitoring Agent for almost two decades and is presently the largest and highest performing Monitoring Agent in the state.

The CHLT has spearheaded the standardization of forms and processes to support consistent and transparent decision-making in the monitoring of deed-restricted units. As of early 2024, there were four active Monitoring Agents in the state, including the CHLT. In recent years, the CHLT has successfully and seamlessly assumed the portfolios of four Monitoring Agents who discontinued their services. The CHLT is currently the largest Monitoring Agent with hundreds additional deed-restricted homes in the development and monitoring pipeline.

> The CHLT has spearheaded the standardization of forms and processes to support consistent and transparent decision-making in the monitoring of deed-restricted units.

Professional assistance is key to managing homes created with "municipal government subsidies." According to the LMIHA these subsidies include, "direct financial support, abatement of taxes, waiver of fees and charges, and approval of density bonuses and/or internal subsidies, and any combination of forms of assistance."[1] Developers primarily create the units with approvals through a comprehensive permit or an inclusionary zoning provision. Monitoring provides long term oversight to ensure a return on these public "subsidies" and secure Rhode Island's affordable housing stock for future generations.

The work of a Monitoring Agent often begins during the predevelopment process, providing the municipality and developer with technical assistance on the development of the LMIHA units and continues long after the units are constructed and occupied. Post construction, the CHLT collaborates with homeowners, tenants, rental property owners, and property managers to maintain compliance with the terms of the deed restriction for the length of the affordability period.

In the last several years, the CHLT has established an internal database to track key statistics related to the homes it monitors and the households who occupy them.

> The CHLT is the currently the largest Monitoring Agent, with 336 LMIH units, and hundreds more in the development and monitoring pipeline.

Since the CHLT took over monitoring duties for some units years after their creation, there are some gaps in information from assumed properties and refinements to the database are underway to capture previously uncollected characteristics. **The information used for this report represents data collection as of September 25, 2023.**

[1] Funding agencies monitor housing developed with major federal or state programs (e.g., LIHTC, HOME, etc.).

PORTRAIT OF THE CHLT PORTFOLIO

72%

Owned Homes

Deed-restricted owned homes may include single family homes, condominiums, or townhome styles, constructed as part of a locally permitted development. They are sold to income eligible households, who gain all the rights of ownership, subject to the affordability deed restrictions on items such as resale price caps, refinancing and equity line limitations, and estate planning.

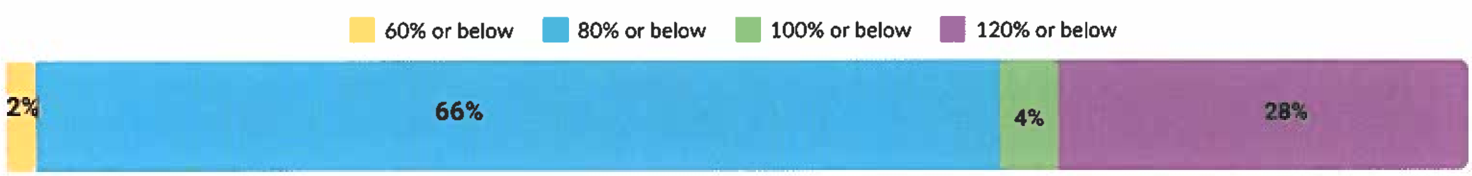
28%

Rented Homes

Deed-restricted rented homes can be multi-family apartments, townhomes, or single family homes constructed as part of a locally permitted development. Generally, the rental property is owned and managed privately, with the CHLT reviewing rent charged to the low income households and annually certifying the income eligibility of low income tenants. Tenants pay the property owner/manager the total approved rent which is set below the rental property's market rate rent.

- The CHLT, the largest RI Housing approved Monitoring Agent in Rhode Island, oversees a total of 336 homes kept affordable for households to thrive. Of these homes, 28% are rented and 72% are owned.
- 2% of the CHLT units are restricted to serving households at or below 60% Area Median Income, 66% are restricted to serving households at or below 80% Area Median Income, 4% are restricted to serving households at or below 100% Area Median Income, and 28% are restricted to serving households at or below 120% Area Median Income.

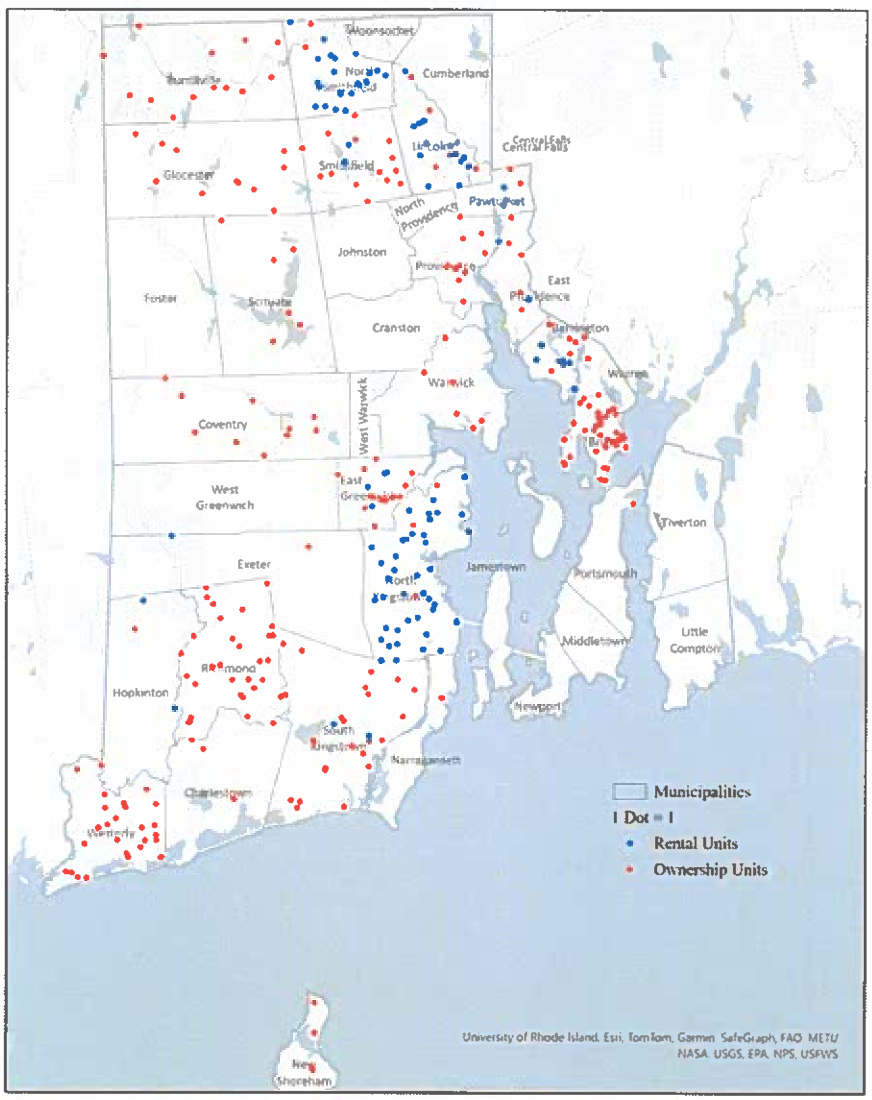
AMI Restriction of the CHLT Portfolio



- Before 2018, the majority of the owned units (66%) were targeted at households earning up to 80% of the AMI. However, after 2018, there is a move towards serving higher-income households, with 70% of the new units developed to serve households earning up to 120% AMI.
- An analysis of household incomes reveals that 87% of the households served earn at or below 80% of the AMI. However, only 66% of the units are restricted to households within 80% of the AMI. Consequently, some households in units restricted at higher brackets, such as 100% or 120% AMI, have actual incomes significantly below these thresholds. This means their housing costs may be high relative to their income.
- It is worth noting, one in three households in the CHLT portfolio have actual incomes at or below 50% AMI, yet no units are restricted at 50%. As a result, the housing costs of these households may exceed the affordability standard of 30% of income towards housing.

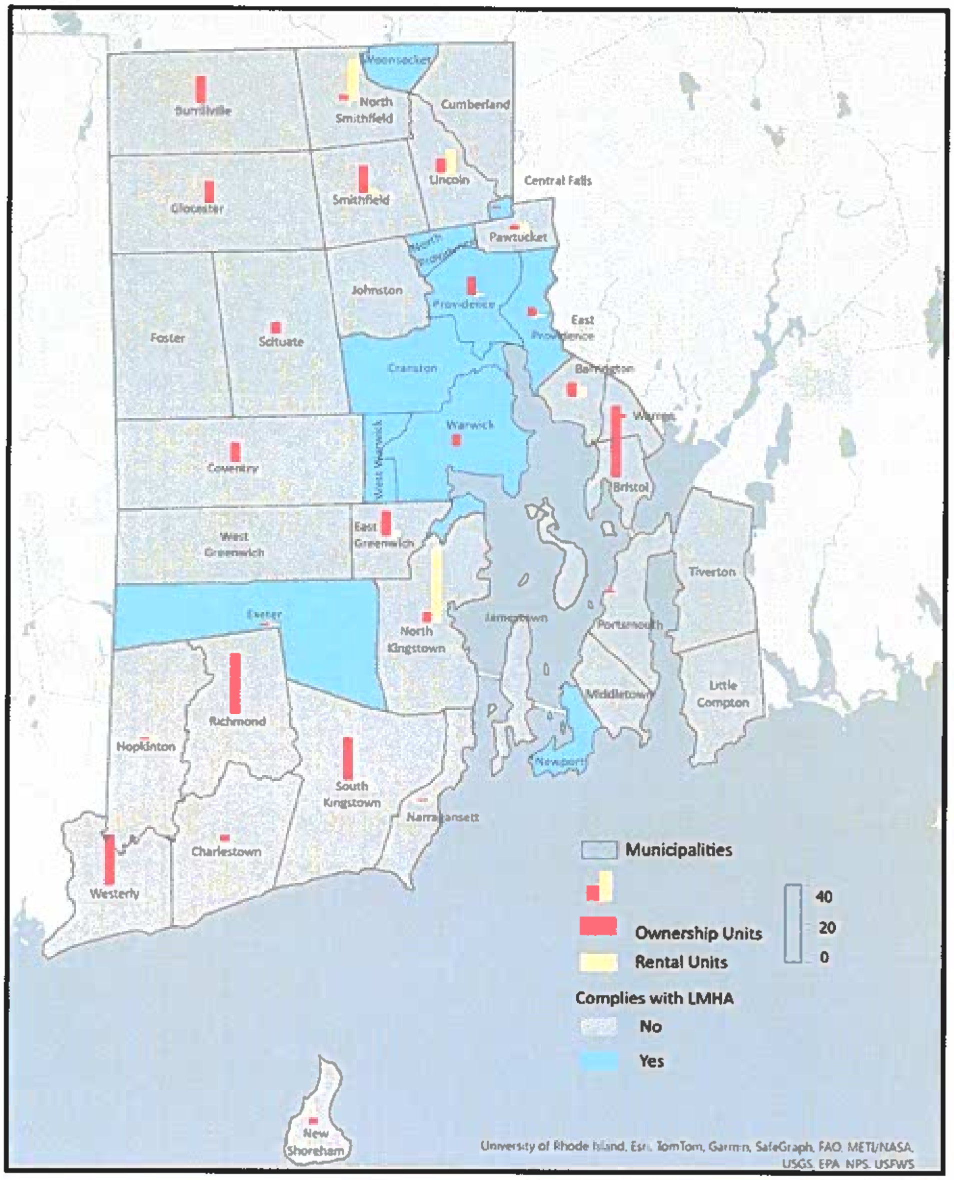
- The CHLT portfolio includes properties in 26 of Rhode Island's 39 communities. Out of these 26 communities, 12 communities have both rented and owned homes.
- The CHLT monitored homes are in communities predominantly outside of the urban core (8.6% in a Rhode Island city), with well performing public schools and high household median incomes that can support other municipal services. By contrast, 69.1% of the subsidized LIHTC homes in Rhode Island are located in one of the state's eight cities.
- Of the CHLT portfolio, 91% of the units are in communities with median household incomes within $1,000 of the statewide median of $81,854 or higher.
- 81% of all the CHLT units are in communities with high school star ratings of a 3 or above (compared to a RIDE reporting of 36% of all RI High Schools at 3 or above), the other 19% of units are in communities with high schools rated 2 by RIDE, compared to 44% of RI High Schools. There is only one monitored unit in a community with a 1-star high school. (This analysis excludes Providence that has multiple high school options.)

Location of CHLT Units



Each dot is color-coded according to tenure type. The locations of the dots do not represent actual addresses.

Low and Moderate Income Housing Act Compliance & Location of CHLT Units[2]



- Currently, ten communities in the state comply with the affordable housing stock standards set by the LMIHA (10% of the housing stock serving low- and moderate-income households or the alternative affordable rental calculation). Five of these (Cranston, East Providence, North Providence, Warwick, and West Warwick) are in compliance through the rental calculation and do not have 10% of their overall stock as affordable. The LMIHA 10% figure is not a fixed quantity. Instead, as a percentage, it promotes expansion of the affordable stock in step with the growth of all housing within a municipality.

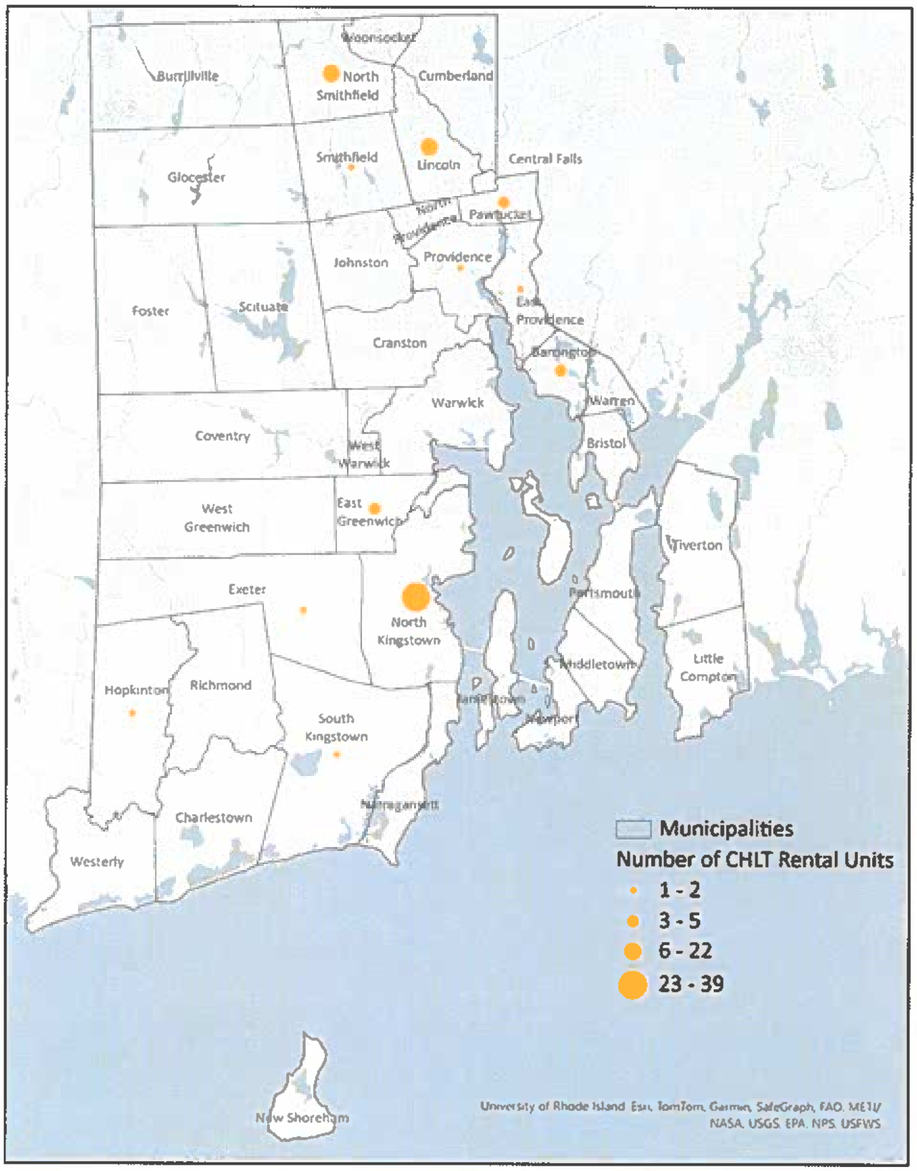
- 93% of the CHLT units are in communities not yet in compliance with the LMIHA goal for 10% of the housing stock serving low- and moderate-income households (or alternative affordable rental calculation).

- As noted above, the comprehensive permit process facilitated the creation of most of the units in the CHLT portfolio. Under state law, such development must have a minimum of at least 25% affordable units and a minimum length of a 30-year affordability deed restriction. Restrictions and unit set-asides may exceed these standards as permits are negotiated between developers and the host community.

[2] According to the table available from Rhode Island Housing at https://www.rihousing.com/wp-content/uploads/2022-Low-Mod-Chart-Short-Form.pdf.

PROFILE OF RENTER HOUSEHOLDS IN THE CHLT PORTFOLIO UNITS

Location of Renter Units

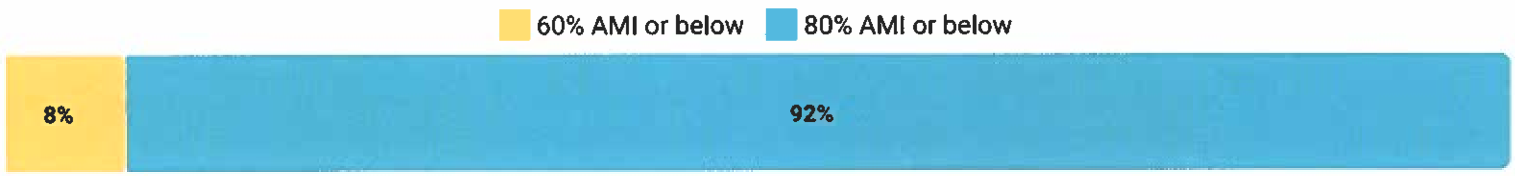


- The CHLT manages rental units in 12 of the 39 communities in Rhode Island.
- Given most units in the CHLT portfolio are created through a comprehensive permit or inclusionary zoning, the rental properties are smaller in scale, typically 1-6 affordable units (a portion of a larger development).
- Two developments in North Kingstown and North Smithfield with a sizeable number of units, 37 and 22 respectively, are atypical.

Income

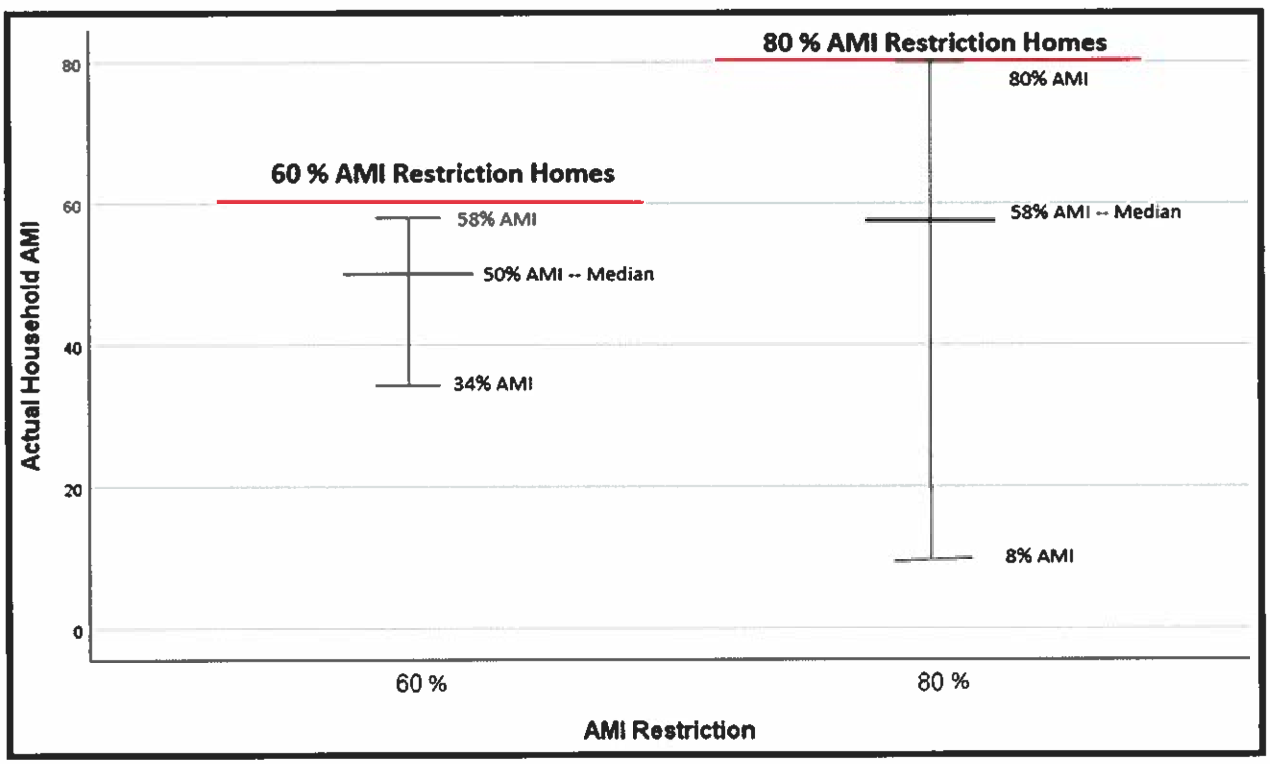
- Under the deed restrictions, tenant incomes must be at or below the set percent of area median income (AMI) -- either 60% or 80%. The median household income of all CHLT renter households is 55% AMI. The CHLT certifies renter incomes on an annual basis.

AMI Restrictions of CHLT Renter Units



- The actual household incomes of the renters reveal a wide range.

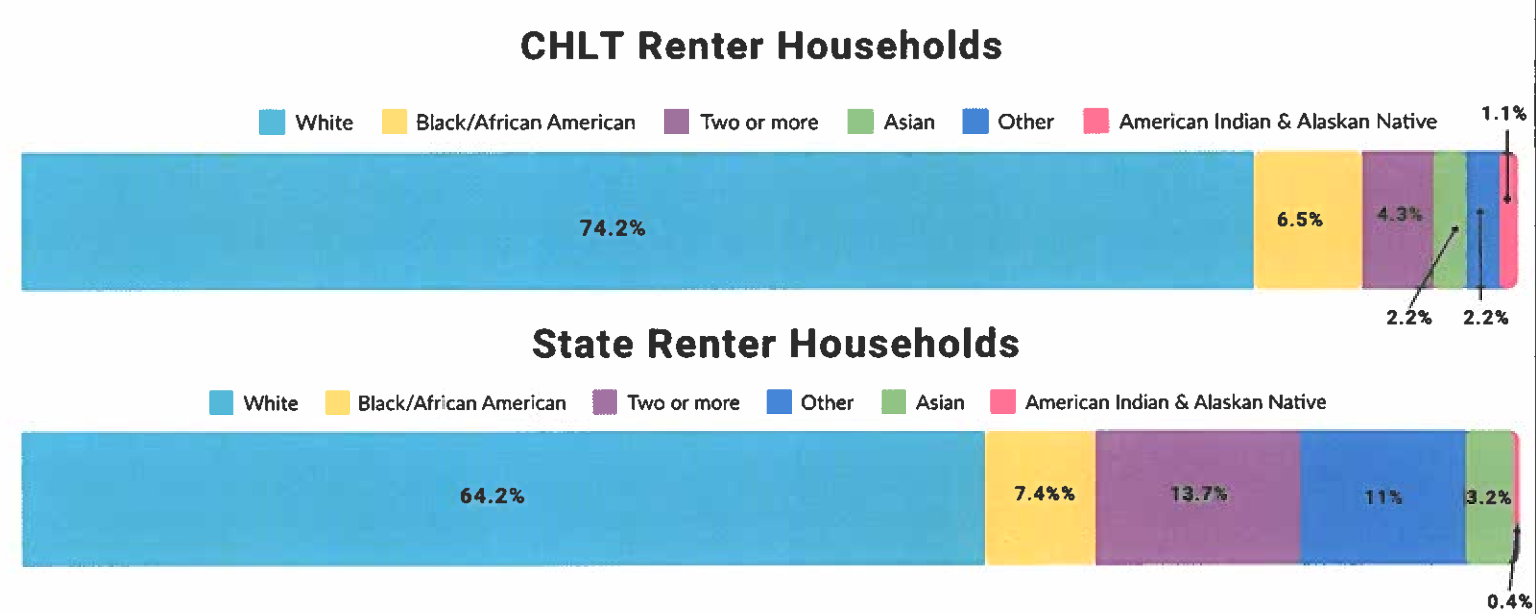
Variance Between AMI Restrictions and Household AMIs



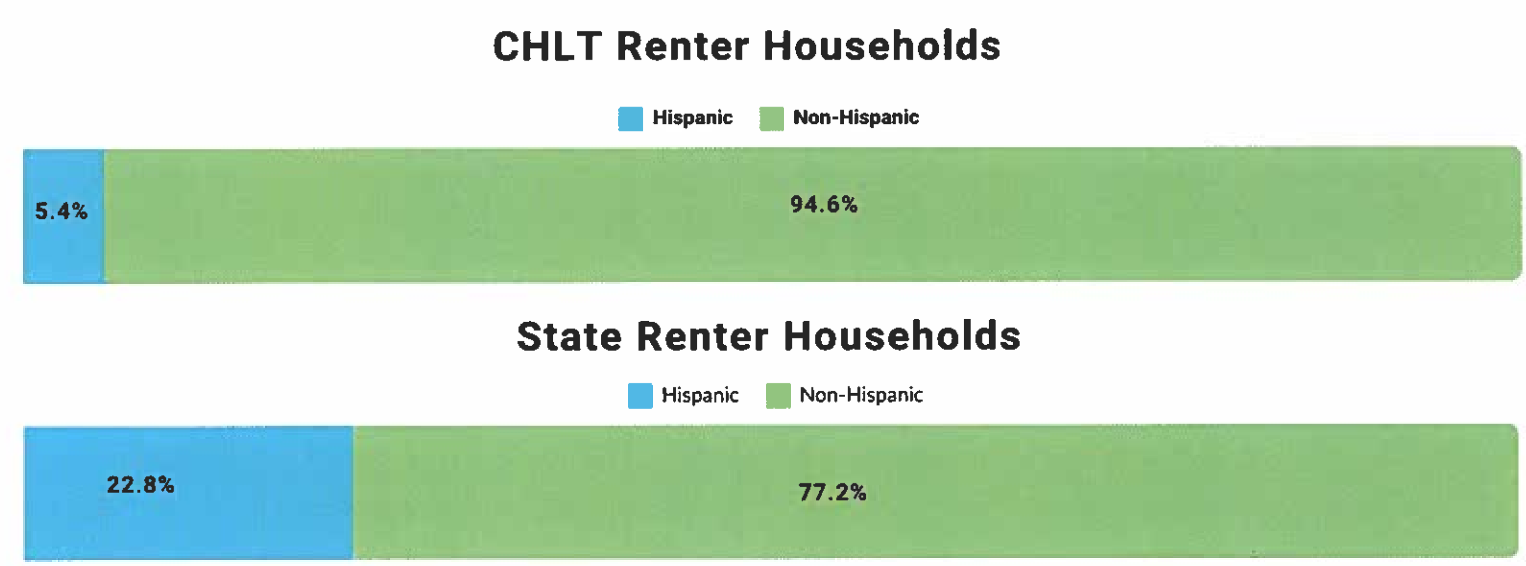
- The graph above indicates the considerable variation of tenant incomes within AMI-restricted rental homes, expressed as a percentage of AMI. The graph presents the minimum, median, and maximum actual tenant household incomes as percentages of AMI within similarly AMI-restricted rental homes (60% or 80% AMI). For 60% AMI units, renter household incomes range from 34% AMI to a maximum of 58% AMI, with a median income of 50% AMI, indicating that half of the households earn below this level and half earn above it. In the 80% AMI units, renter household incomes range from 8% AMI to the maximum of 80% AMI, with a median income of 58% AMI, again showing that half of the households earn below this figure and half earn above it. The variance between the income cap (in red) and the actual household incomes of tenants shows that these rental units often serve households with incomes significantly below the AMI caps. Despite this, rent is based on what is considered affordable for a household earning at the AMI cap[3]

[3] HUD sets AMI dollar amounts annually, with adjustments for household sizes. Thus the dollar amount of the 80% AMI cap for a 4 person household is sightly greater that that of 80% AMI for 1, 2, or 3 person households.

Race



Ethnicity

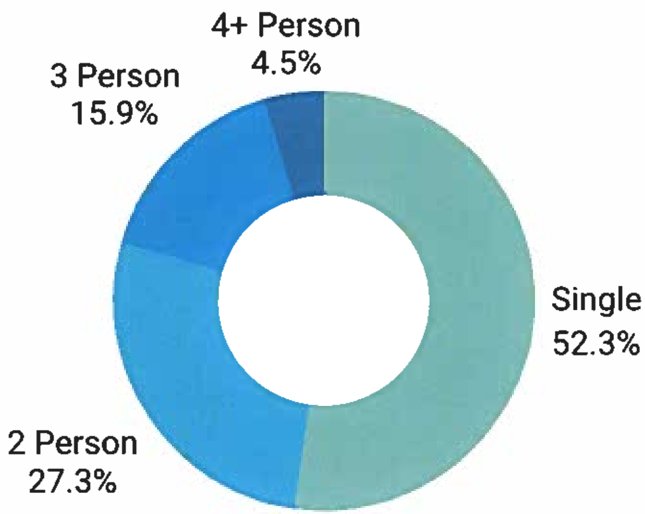


Source: CHLT Dataset, *NOTE 100 missing from owner dataset (beyond those listed as choosing not to report a race category) and 130 from owner dataset choosing not to report Hispanic/Latino, and ACS 2022.

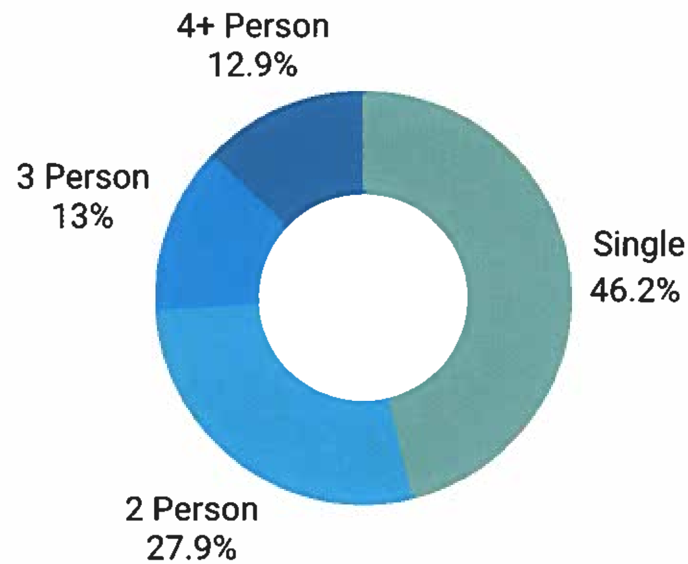
- The CHLT portfolio serves a lower percentage of non-white renter households than their representation within statewide figures (25.8% vs 35.8%) and a lower percentage of Hispanic renter households than their representation in statewide figures (5.4% vs 22.8%). This needs further study as BIPOC groups are over represented within low and moderate income households, and under served within the CHLT portfolio.

Types of Households

Household Size



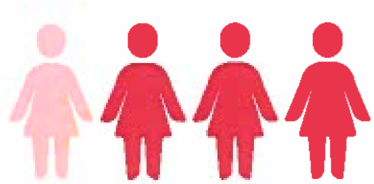
CHLT Rental Households
Percent of Renters Reporting



State Rental Households
Percent of All Renters

- Household size is largely driven by the number of bedrooms in a housing unit. The CHLT Portfolio serves a greater percentage of single person renter households (52.3% vs. 46.2%) and a lower percentage of large (4+ persons) renter households (4.5% vs 12.9%), than their representation within statewide figures. This is a reflection of the CHLT portfolio having a greater proportion of renter units with fewer bedrooms and units for older adults.

Female Headed Households



25.8%

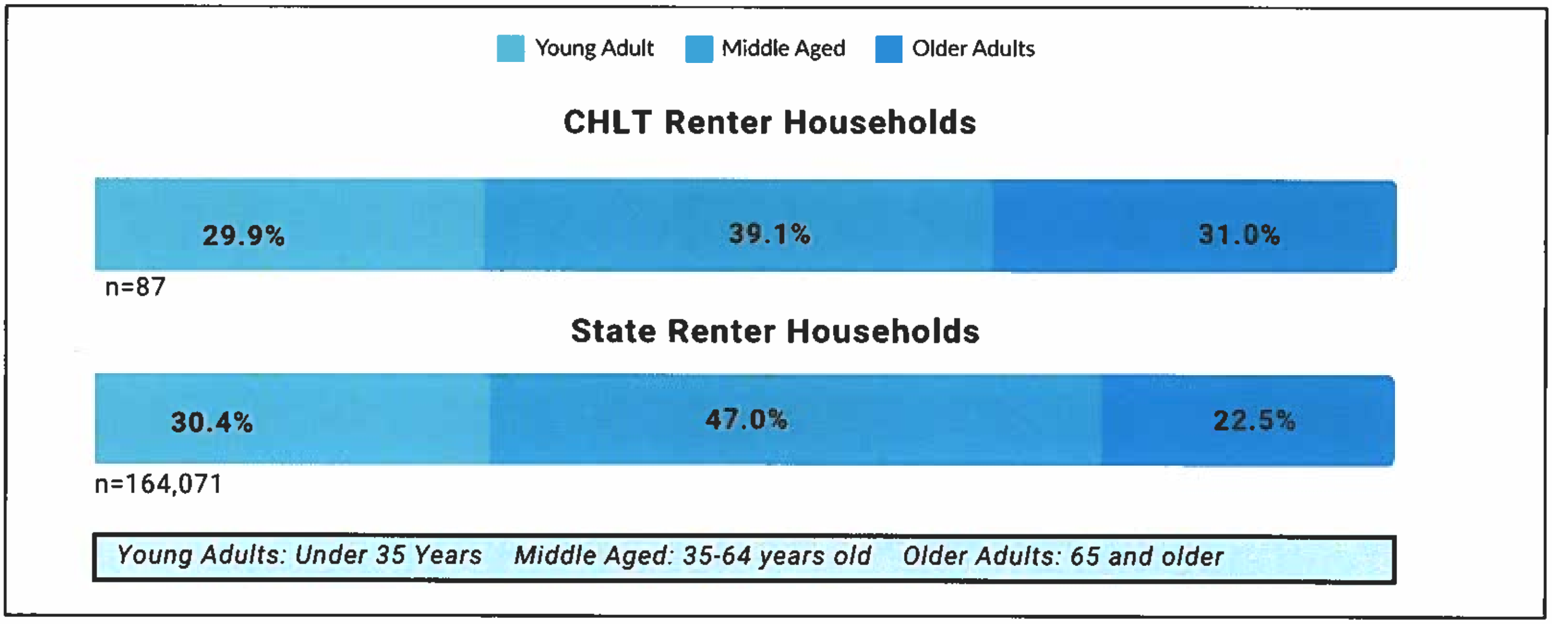
CHLT Rental Households
Percent of Renters Reporting

14.3%

State Rental Households
Percent of All Renters

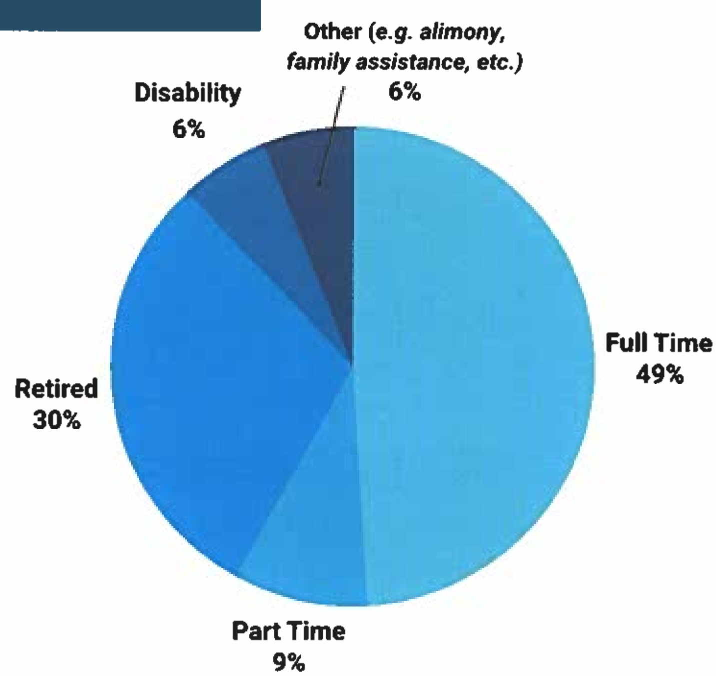
- The greater percentage of female headed renter households in the CHLT portfolio, as compared to their representation statewide (25.8% vs 14.3%), likely reflects the over representation of these households within the low income and elderly populations.

Age of Head of Household



- The CHLT portfolio serves a greater percentage of older adult renter households (31% vs 22.5%), and lower percentage of middle aged renter households (39.1% vs 47%), than the statewide figures for these households.

Employment



Types of Income

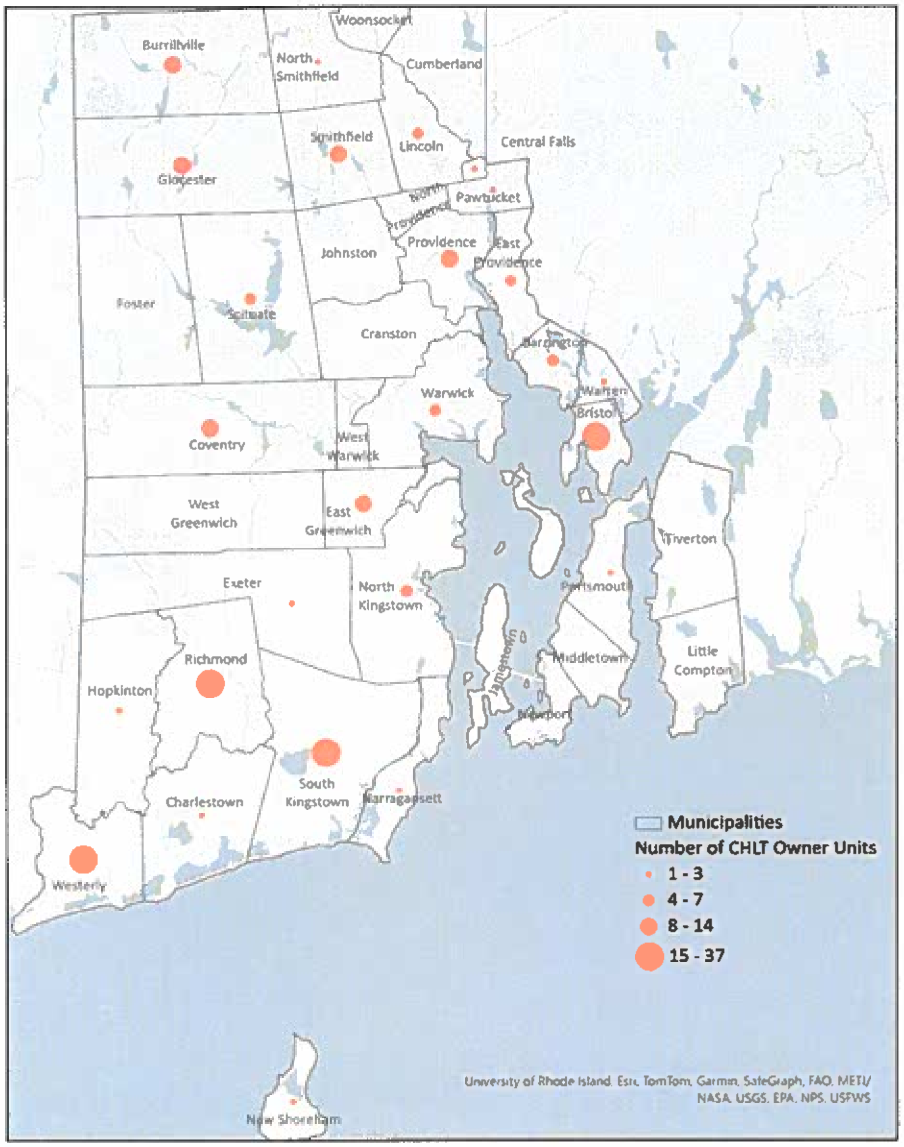
n=89

The top three employment sectors for working renter head of households are:

- 30% Retail
- 16% Healthcare and Social Assistance
- 14% Other Services (Repair & Maintenance, Personal Services, etc.).

PROFILE OF OWNER HOUSEHOLDS IN THE CHLT PORTFOLIO UNITS

Location of Owner Units

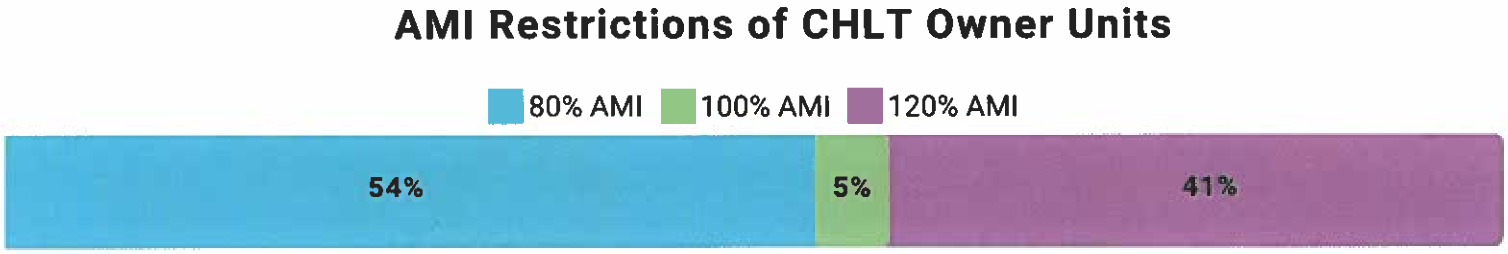


- The CHLT owner units are in 26 Rhode Island communities with 48% of units in Bristol, Richmond, Westerly, and South Kingstown.

- The owner deed restrictions indicate 60% are for 99 years and 40% for 30 years (not all reporting). The practical reality is, with each sale, the affordability is reset to the full initial term perpetuating the affordability forward.

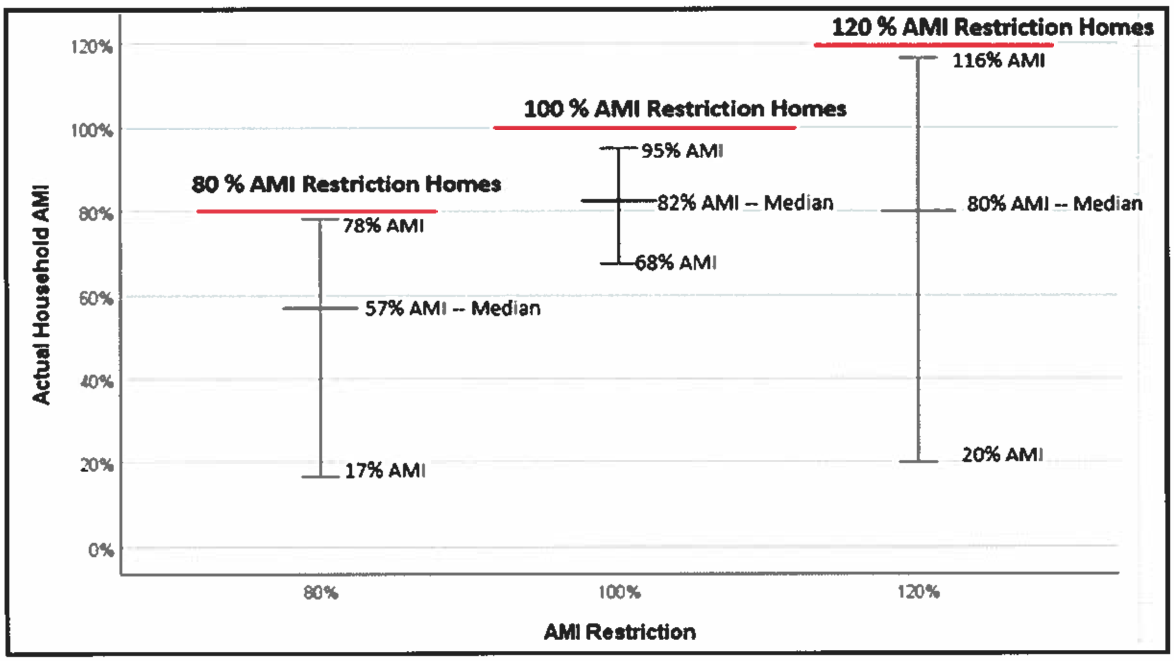
- Of the existing owner units with sales data, 18 years is the longest residency duration. Three households have reached this milestone. More typically, the average length of residency before a sale is 8 years (for data available), meaning few households reside in the CHLT deed-restricted homes long enough to exceed (and end) the deed restricted period. With each conveyance, the new owner signs a new deed restriction and the affordability period is reset.

Income



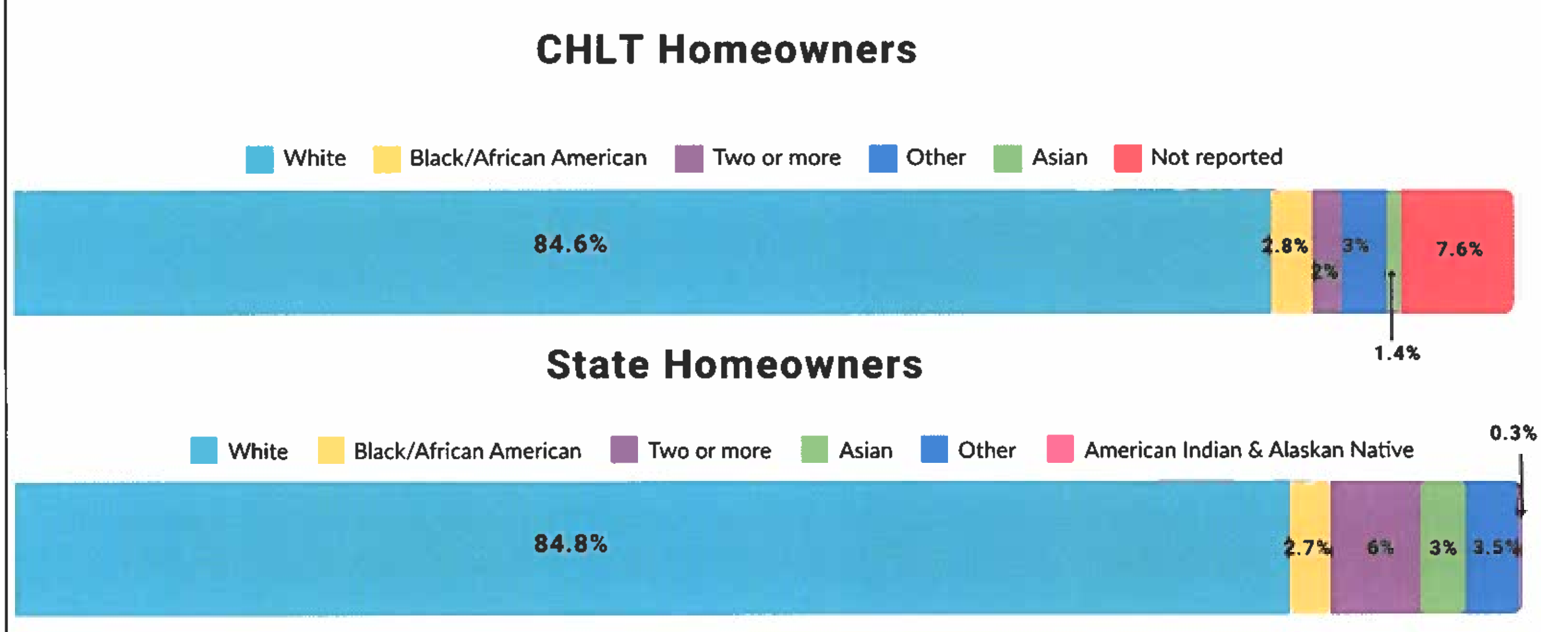
- Under the deed restrictions, at the time of purchase owner incomes must be at or below the set percent of area median income (AMI) -- either 80%, 100%, or 120%.

- **The actual household incomes of the owners reveal a wide range.**

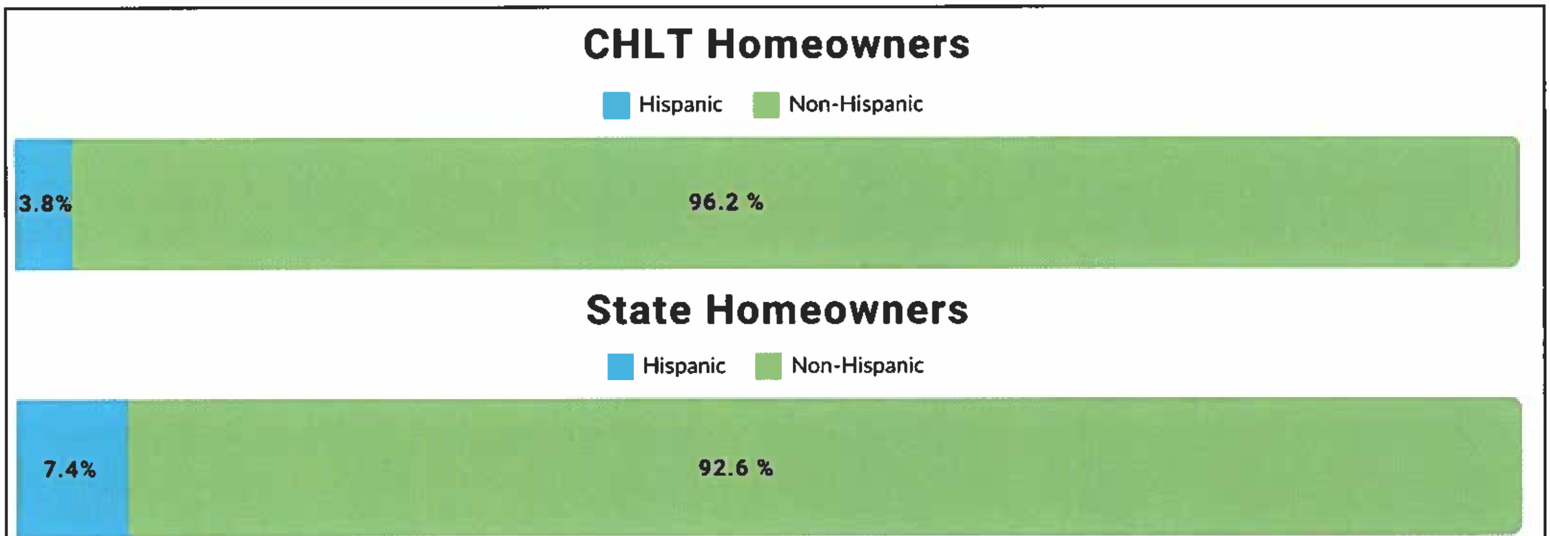


- The graph above illustrates the wide range of owner incomes within AMI-restricted ownership homes, expressed as a percentage of AMI. The graph presents the minimum, median, and maximum actual household incomes as percentages of AMI within similarly AMI-restricted ownership homes (80%, 100%, and 120% AMI). For owner households in the 80% AMI units, incomes range from 17% AMI to a maximum of 78% AMI, with a median income of 57% AMI, indicating that half of the households earn below this level and half earn above it. In the 100% AMI units, owner household incomes range from 68% AMI to a maximum of 95% AMI, with a median income of 82% AMI. In the 120% AMI units, owner household incomes range from 20% AMI to a maximum of 116% AMI, with a median income of 80% AMI. The variance between the income cap (in red) and the actual household incomes of those who purchased the homes shows that these ownership units often serve households with incomes significantly below the AMI caps. Despite this, the sales price is based on what is considered affordable for a household earning at the AMI cap (80%, 100%, or 120%). At the time of purchase, many homeowners in CHLT-monitored units have incomes significantly below the AMI caps, which can result in them paying more than 30% of their income on housing. This underscores the need for homes to be built and priced for households at or below 80% of AMI.

Race



Ethnicity

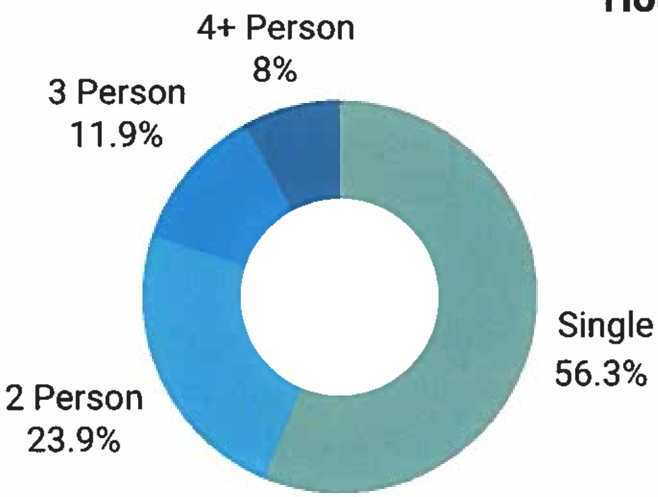


Source: CHLT Dataset, *NOTE 100 missing from owner dataset (beyond those listed as choosing not to report a race category) and 130 from owner dataset choosing not to report Hispanic/Latino, and ACS 2022.

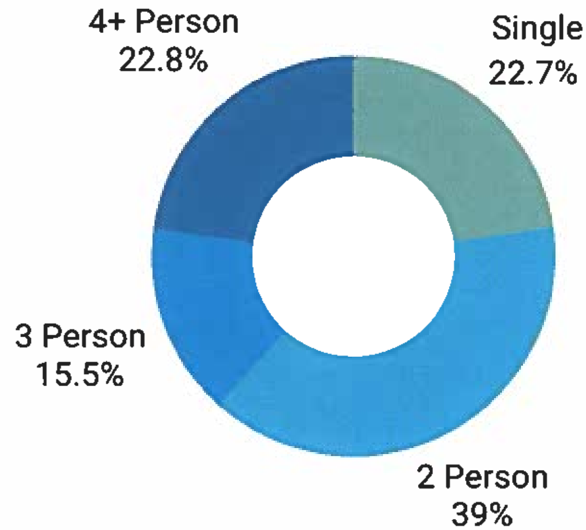
- For those reporting, the CHLT owner households with non-white heads of household are equal to statewide figures (15.4% vs 15.2%) while a lower percentage of Hispanic owner households are served than their representation in statewide figures (3.8% vs 7.4%). This needs further study as Hispanic households are over represented within low and moderate income households, and under served within the CHLT portfolio.

Types of Households

Household Size



CHLT Owner Households
Percent Reporting



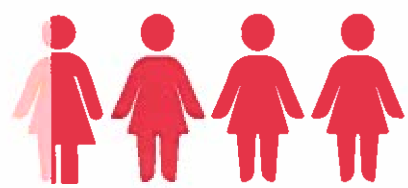
State Owner Households
Percent of All Homeowner

- Household size is largely driven by the number of bedrooms in a housing unit. The CHLT owner portfolio serves a greater percentage of single person households (56.3% vs. 22.7%) and a lower percentage of large (4+ persons) households (8% vs 22.8%), than these owner households' statewide figures. This is a reflection of the CHLT portfolio having a greater proportion of units with fewer bedrooms and units for older adults.

Female Headed Households

14.5%

CHLT Owner Households
Percent Reporting



9.7%

State Owner Households
Percent of All Homeowner

- The greater percentage of female headed households in the CHLT owner homes (14.5% vs 9.7%) likely reflects the over representation of these households within the low income and elderly populations.

Employment

The top three employment sectors for the 159 working owner head of households are:

- 25% Healthcare and Social Assistance
- 14% Education Services
- 10% Retail

Within the homeowners, 25% of the heads of household report being retired.

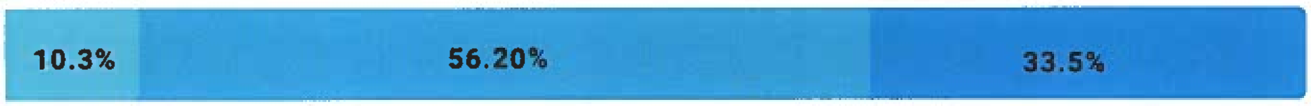
Age of Head of Household

Young Adult | Middle Aged | Older Adults

CHLT Homeowners

n=141

State Homeowners

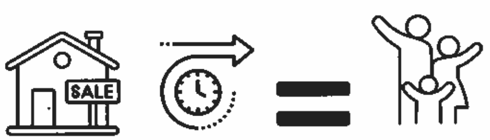


n=282,617

Young Adults: Under 35 Years	*Middle Aged: 35-64 years old*	*Older Adults: 65 and older*

- The CHLT portfolio serves a greater percentage of young adult owner households than the statewide figures for these households (27% vs 10.3%).

Preservation



243 Homes | **Overtime 83 Resold** | **326 Low/ Mod Income Households Served**

Preserving Affordability in Owner Resales

In its monitoring role, the CHLT safeguards the affordability of deed restricted ownership units during a resale. In accordance with the recorded restrictions, the maximum resale price is not based on the going market rate, but rather set at what would be affordable—at that point in time—to another low- and moderate-income household.

To establish a sales price, the CHLT begins with then current HUD established AMI figure appropriate for the unit—80% AMI, 100% AMI, etc. based on household size (determined as the number of bedrooms plus one). The total housing payment is set at 30% of this income figure, and the estimated costs of homeowner's insurance, property taxes, condo fees, private mortgage insurance, etc., are subtracted from the 30% figure, leaving the amount available to cover a mortgage payment. Finally, the mortgage loan that can be covered by this payment is calculated assuming the terms of an FHA mortgage (downpayment, interest rate). The initial owner may or may not make money on the resale, depending on such factors as the current interest rate, how long they have owned the home, and how well they have maintained the home. While affordable homes may see an increase in their value over time, that increase will likely be less than the increase in value of a comparable market rate unit. As with market rate housing, there is no guarantee that appreciation will take place, and no way to reliably predict how much appreciation will occur. In addition to setting a maximum resale price, the CHLT will certify the income eligibility of potential low/mod buyers and work with lawyers to record a continuing deed restriction.

TAKE-AWAYS AND POLICY IMPLICATIONS

This profile finds the CHLT portfolio of deed-restricted homes contributes to the objectives of the LMIHA, providing more affordable housing for low- and moderate-income households, expanding homeownership to low- and moderate-income households, and providing affordable housing throughout the state. These units preserve affordable price points across time, as over the years each home serves multiple low and moderate income households.

- The CHLT portfolio demonstrates the LMIHA municipal subsidy provision can work. Since its passage, developers have constructed rental and ownership homes throughout the state, and in communities with strong schools and high median household incomes. The number of such units, however, is low compared to the need. Attention should be given to the types of resources municipalities and developers need to scale up the use of this provision. This might include education and training, technical assistance, supplemental funding, or other supports.

- Overall, the heads of household served are diverse in terms of age indicating the portfolio is inclusive of households in a range of life stages. The portfolio does, however, have a much greater percentage of younger owner households (under age 35) than the statewide figure, and a higher percentage of older adult renter households than the statewide figure. The ownership opportunities further the LMIHA goal for increased homeownership and provide a chance for young households to attain housing stability and economic mobility. The greater percent of older adult rental households reflects the percentage of CHLT rental homes that are one bedroom or aimed at the elderly.

- Both renter and owner CHLT homes have a higher proportion of female-headed households than statewide figures. This is a group that is disproportionally low income in part due to employment in low wage sectors and to childcare related work disruptions (and over representation within elderly households). Also, the portfolio has a lower percentage of large households (4 or more persons) and a higher percentage of single person households than statewide figures.This is largely a reflection of the bedroom counts of the units created. These units provide safe, affordable, and stable housing yet there is need for units of 3 or more bedrooms.

- The portfolio indicates an underrepresentation of BIPOC and Hispanic households (although a high percentage of households choose not to report). Potential action to address this discrepancy might include increasing the supply of lower priced homes for rent or ownership, establishing specific affirmative fair housing marketing requirements, or changes to how eligible households are selected for available units. However, further study is needed to better understand the drivers of this discrepancy and which interventions are most appropriate to address the inequity.

- In all cases, the median actual incomes of the renter and owner households served is significantly below the AMI cap levels of the housing units they occupy. Since rent and purchase prices are set at levels affordable for households making the AMI cap, many CHLT renters and owners are financially stretching to occupy these homes. This suggests municipal housing subsidies produce homes at AMI caps above the affordability threshold of the financially diverse households who are seeking these units. More homes for rent are needed at levels of 50% or 60% AMI and for sale at 80% AMI to better align price points with household income levels.
- Deed-restricted ownership units provide housing stability with long-term affordable mortgage payments and property taxes pegged to the deed-restricted house value. This consistency provides children educational stability and preserves their social connections and safety/resource networks, and maintains the professional health, and social connections of adults. The data in the CHLT database on owner units indicates only one of the 243 units was involved in a foreclosure action. This is consistent with national research on other shared equity and deed restricted units that indicates owners of these properties have lower foreclosure rates than the general population.

- Monitoring Agents are critical to implementing and preserving the LMIHA deed restrictions. This work starts with the negotiation of a development agreement and persists long after the units are constructed and occupied. Monitoring Agents complete annual rental certifications, oversee resale refinance transactions, and ensure ongoing program compliance among property owners. They are a front line defense in ensuring transparency, integrity, and accountability within the program. The capacity of Monitoring Agents must keep pace with the growth of this housing stock.
- The development of the CHLT Portfolio dataset provides the first description of the units produced and the households served by the LMIHA municipal subsidy provision. This information can inform policy and guide the modification and targeting of programs. This effort should be expanded with a standardized process and annual report for all Monitoring Agents in RI to improve analysis and oversight.

Community Housing Land Trust of Rhode Island
1070 Main Street
Pawtucket, RI 02860
(401) 721-5680

https://housingnetworkri.org/our-work-programs/community-housing-land-trust-of-rhode-island/