

H O U S I N G



N E T W O R K

May 10, 2022

Senator Cynthia Coyne
Chair, Senate Committee on Judiciary
Rhode Island Statehouse
Providence, RI 02903

RE: In support of S2008

Dear Chair Coyne and members of the Committee,

On behalf of the Housing Network of Rhode Island, our member agencies, and the low income Rhode Islanders we seek to serve, I write in support of **S2008**, legislation that increases the per unit fee in lieu of development to \$75,000.

The Housing Network of Rhode Island is the State's membership association of 17 nonprofit community development agencies across Rhode Island. From Washington County to Woonsocket, our members have created more than 15,000 affordable homes. Our members are leaders within the communities they serve and have contributed to economic development, revitalization efforts, and the creation of healthy and vibrant neighborhoods in cities and towns throughout Rhode Island. The membership of HNRI is responsible for nearly 70% of the production and preservation of affordable homes made possible by funding from the 2006, 2012, and 2016 affordable housing bonds. Our organization and membership are committed to serving low income Rhode Islanders, who are vital contributors to our economy and have the right to safe, healthy, and affordable places to live.

At present, the formula to calculate the fee-in-lieu of development is the difference between the 2018 - 2020 average cost to develop a new affordable home (same across the State) and the maximum sales price of a 3 bedroom home affordable to 80% AMI (varies by Municipality). This formula produces fees per unit as low as \$40,000 and as high as \$75,000. This means that a developer who selects to pay the fee instead of developing much needed affordable housing could chose to "opt out" for a little as \$40,000 per unit, and still satisfy the criteria that they fulfilled their affordable housing requirement. Perhaps more shockingly, the fee -in-lieu is the lowest in some our most affluent RI communities, and highest in some our most economically challenged ([2020_Fee_In_Lieu_Chart.pdf \(rihousing.com\)](#)).

We thank Senator Kallman and the bill's co-sponsors for tackling this issue in **S2008** by proposing that the State increase that fee-in-lieu of development to level the playing field further. The cost to develop housing (affordable or otherwise) is significant. Allowing

developers to opt out of creating affordable homes that Rhode Islanders are in such desperate need of, in exchange for fees that are inadequate and inequitable, is in juxtaposition to our State's affordable housing goals. **S2008** is an attempt to address that misalignment of policy and value.

If there is willingness to consider going a step further, we would propose that fee-in-lieu of development legislation include an alternate calculation, yielding to whichever produces the greater fee, with \$75,000 as the floor for fee-in-lieu. The alternate calculation would follow a formula that considers the average sales price of the market rate home the developer is proposing, minus the maximum sales price of a comparable home affordable to a household at 80% AMI.

As an example: Developer Y is proposing to build market-rate 3-bedroom homes in Community X, which will be listed between \$600,000 and \$700,000. A 3-bedroom home in the same community with an 80% AMI restriction could be sold for a maximum of \$290,000. In this example, the fee-in-lieu would be \$360,000 per unit (\$650,000 avg. price of market-rate homes - \$290,000 maximum sales price affordable to 80% AMI). Alternatively, if Developer Y was instead proposing to build market rate housing with an average sales price of \$350,000, then the fee-in-lieu would be \$75,000 per unit, because the calculation yields a figure that is less than \$75,000 ($\$350,000 - \$290,000 = \$60,000$).

Thank you for the opportunity to share my expertise on this topic with this Committee and for your consideration of **S2008**. I am available to answer any questions you might have and can be reached at 401-721-5680 ext. 38 or mlodge@housingnetworkri.org.

Respectfully submitted,



Melina Lodge, MCP
Executive Director