
Town of North Kingstown
Economic Development Advisory Board

MEMORANDUM

To: North Kingstown Town Council
From: North Kingstown Economic Development Advisory Board
Date: November 20, 2017
Re.: Harnessing Quonset to Promote Post Road Revitalization

The Economic Development Advisory Board (EDAB) is submitting this memorandum to review the work we have done since our presentation to the Town Council on July 18, 2016, on harnessing Quonset to promote Post Road revitalization. We summarize our conclusions and recommendations, and what the EDAB proposes to do next. Given the importance and complexity of the subject, we emphasize the need for closely monitoring both residential and business development progress in the Post Road area and the importance of revisiting and possibly revising the recommendations made in this report if progress is not satisfactory.

Background

In our presentation of July 18, 2016, we told you that we would focus on studying the viability of stimulating Post Road revival by enabling more Quonset workers to live in North Kingstown, and specifically in the Post Road area. We noted that the Post Road corridor developed its current form to service the population living and working at the Quonset Navy Base, but with the closure of the base in 1973 North Kingstown's population dropped by 26%. As a result, the 2014 *North Kingstown Market Study* found that the "Post Road . . . features more retail businesses than can . . . be supported by the existing household and worker base." We also reported that about 11,000 people currently work at the Quonset Business Park, but that the most recent surveys indicate that as few as 11% of them actually live in North Kingstown. That means that almost 90% of the spending power of Quonset workers, about \$500 million per year, leaves North Kingstown each day when workers commute home to other municipalities. With the number of Quonset workers anticipated to grow to 16,500 by 2030, we suggested that attracting more Quonset workers to live in North Kingstown, and particularly to live in the area near Quonset and along the Post Road, could provide a larger market to sustain Post Road businesses and drive Post Road revival as a community.

The EDAB also noted that encouraging a higher proportion of Quonset workers to live in North Kingstown would only be possible if housing were available to meet the needs and preferences of current and future workers. We hypothesized that, based on Quonset wages and the likely characteristics of future workers, the need will be for higher density, multi-family housing. We also noted that it would be important to be sure that North Kingstown had the infrastructure and municipal facilities capacity to serve this type of housing and

that the overall fiscal impact on the Town would be positive. And we further suggested that if the need for higher density, multi-family housing is unlikely to be met, then the Town should consider what incentives or regulatory changes might be put in place.

We told the Town Council that the EDAB planned to study this matter by

- assessing the current and future demand for housing, particularly amongst Quonset workers,
- examining municipal capacity to serve additional residents, and
- exploring the value and feasibility of commissioning a study of the economic and fiscal benefits and costs of population growth along the Post Road.

To these ends we held discussions with the Quonset Development Corporation, Quonset Business Park firms, property developers and managers, Town management and staff, the School Department, academics, and consultants, and we reviewed published reports and studies. Our findings are summarized below.

Housing demand and supply

To assess the current and future demand for housing, the EDAB used two recent reports from HousingWorks RI at Roger Williams University to look at four things: (1) the overall number of additional housing units needed to accommodate population growth through 2025, (2) types of units needed (e.g., single-family, duplexes, multi-family, and apartments), (3) rental vs. ownership, and (4) price range. We then compared the projected demand with the North Kingstown Planning Department's list of housing projects currently in the production pipeline. (The attached Appendix explains the methodology used to project demand.) Our conclusions follow:

- To accommodate the town's projected household growth through 2025, North Kingstown will need approximately 1,000 new housing units. Demand will be very strong for multi-family housing. In North Kingstown, as is the case across the state, there is, and will continue to be, a strong demand for rental units. There will also be a strong demand for housing units whose rental or purchase prices are within reach of households with modest incomes.
- Residential projects in progress, if built, will probably meet the overall demand for additional units as currently projected and, in particular, the demand for multi-family housing. The Planning Department's list of residential projects in the pipeline indicates that throughout North Kingstown approximately 1,329 units are either under construction or have received Master Plan, Preliminary Plan, or Final Approval. That total includes approximately 920 units in multi-family projects.
- Approximately 957 of the units currently in the pipeline and under construction are in the Post Road area, and approximately 806 of those units are multi-family. This

higher density, multi-family development is being made possible by the availability of sewers.

- The question of whether the units in the pipeline will meet the need for rental units is difficult to answer. A number of the multi-family units being built could either be condominiums or rental properties.
- It is also very difficult to predict future rental and purchase prices and to know whether rental and ownership units will be within the reach of households with modest incomes. Rental and purchase prices will depend on market demand and, in response to rising demand, North Kingstown prices are increasing.
- It is impossible to know to what extent buyers and renters of these properties will be Quonset workers, which would start to address the opportunity of incorporating more of the growing Quonset workforce into the North Kingstown economy and community. Many current Quonset employees could probably afford to rent a two-bedroom apartment or buy an entry-level home.¹

Infrastructure and municipal capacity

Discussions with Town management and staff, the School Department, and developers suggest that North Kingstown has the capacity to service an increase in households along the Post Road corridor. Our preliminary conclusions are as follows:

- The Post Road corridor is well supplied with electricity, natural gas, and broadband communication networks, and is within the Town's water service area.
- Sewers are in place in the south portion of the Post Road, from Camp Avenue to Wickford. Provision along the north portion has been approved by voters but is not yet underway.
- No new streets will be needed. Road access is well connected to state and interstate highways.
- The school system has capacity to add new students at a fraction of the average cost per student used for planning purposes. Initial occupancy of developments along Post Road suggests that few new households will include children. To some extent, however, this may reflect that most multi-family units being built are 1-2 bedroom units. Larger units may be needed for families with children, particularly to meet demand from Quonset workers of more modest means.

¹ The average annual wage of Quonset employees is \$56,524 (*The Economic Impact of the Quonset Business Park*). Currently, the median two-bedroom rent in North Kingstown is approximately \$1,406, which requires an annual household income of around \$56,240.

Economic and financial impact

Discussion with academics and consultants confirmed that a study of working-age population growth along the Post Road, and in North Kingstown overall, could provide a quantitative projection of the impact on the town's total economic output and its fiscal revenues and expenditures. This would help examine proposed incentives and regulatory changes if needed to promote such growth. More generally, the study would help understand how working-age population growth would contribute to the long-term economic sustainability of North Kingstown. The study could be undertaken using available methodologies and modeling tools, within a budget of \$20,000. We developed an outline for the study. Available grants would cover 75 percent of the cost.

Conclusions and recommendations

On the basis of the above findings, the EDAB offers the Town the following conclusions and recommendations:

1. There is no clear indication that new incentives or regulatory changes are needed at this time to promote the development of multi-family units along the Post Road. The market appears to be responding to the increased overall demand for multi-family units. With the installation of sewers, developers are electing to build a significant number of multi-family units as well as compactly sited single family housing in the Post Road area.
2. An economic and fiscal impact study is not required at this time from the viewpoint of supporting measures to promote population growth. While the study would help understand and quantify how revitalization of the Post Road would affect North Kingstown's economy and finances, and its long-term sustainability, no incentives or regulatory changes are being proposed now that need to be justified.
3. The Town needs to track the progress of residential development along the Post Road now in the pipeline and, where appropriate, take actions to help development proceed expeditiously.
4. Increased population alone is unlikely to ensure Post Road revitalization. The Town needs to launch a collaborative effort with property owners, businesses, and residents, to make the Post Road a safe and attractive destination for pedestrians and bicyclists as well as those who arrive by car. This would encourage residents in the surrounding area to use the restaurants, shops, and services along the Post Road and attract through traffic to stop and patronize these businesses. The Transportation Element of the Draft Local Comprehensive Plan recommends a Complete Streets approach, and the Town has already taken an important step with the introduction of the road diet in the summer of 2016. Additional critical improvements needed include sidewalks, crosswalks, and lighting. Progress so far has been fragmented and needs to be guided by a cohesive plan. Street frontage maintenance and improvements of commercial properties, led by owners and businesses with Town support, would enhance visual appeal. We have not examined what instruments and investments the Town would require to achieve these objectives.

5. The Town will need to monitor housing and business development along the Post Road and, if necessary, reconsider whether incentives or regulatory changes are needed to accelerate housing growth. Population growth as projected until 2025 will provide increased market support for Post Road businesses. It is not clear, however, that this market will be large enough to result in a decisive and sustainable turnaround of business. Also, whereas it now appears that the market is by itself meeting the demand for housing, demand was projected conservatively, does not fully reflect the prospective growth of Quonset workers, and makes no allowance for new demand in response to housing becoming available. Also, probably not all housing supply in the pipeline will materialize. Gaps may result.

6. Looking beyond the current construction pipeline, the Town must renew efforts to remove major constraints on developing vacant and underutilized property along the Post Road:

- Move forward with the construction of sewers on the Post Road north of RI 403, for which bonding was approved by voters in 2011. Sewer installation is proving to be a key enabler of high-density residential development in the southern section of the Post Road.
- Follow up with state authorities on the Seaview Railroad easement owned by National Grid, which cuts across 48 properties occupying 150 acres along the Post Road. Because of the easement, redevelopment of many of these properties is not economically viable. Moreover, utility poles are now at the edge of the travel lanes creating a safety hazard. Cooperation between National Grid and the Town is necessary to jointly identify a viable solution.

7. Quonset workers remain a large and growing untapped market for North Kingstown. The average annual wage is \$56,524, and the wages in several fields, such as manufacturing, range from \$62,000 to as high as \$100,000. This means that many Quonset employees could afford entry level homes and rentals.

EDAB – next steps

The EDAB will reach out to the Post Road community to facilitate the engagement of businesses and residents, together with Town support, on efforts to revitalize Post Road as a thriving, living community. Engaging the public is one of the EDAB's duties, and it has proven to be an effective means to address concerns and disseminate reliable information. This initiative will be discussed further in forthcoming EDAB meetings.

Subject to interest and leadership from the Post Road community, the EDAB could create a Post Road Economic Development Advisory Board (PEDAB), similar to the WEDAB for Wickford. The PEDAB would be a permanent organ of the EDAB focusing on the Post Road corridor, reporting to the Town Council through the EDAB. Its functions would mirror those established in the EDAB's ordinance, including engaging the business community and the public at large in the town's economic development policies and initiatives as they pertain to the Post Road. The PEDAB would also raise awareness of development

opportunities and constraints arising specifically in the Post Road area and propose how to address these.

Acknowledgements

The EDAB thanks the Quonset Development Corporation, Quonset Business Park firms, property developers and managers, Town management and staff, the School Department, HousingWorks RI at Roger Williams University, academics at Bryant University, and consultants for the time they gave to assist our efforts. We particularly want to acknowledge the Kent Washington Association of Realtors, the National Association of Realtors, and the Quonset Development Corporation for their willingness to help fund the proposed study.

Appendix

METHODOLOGY USED TO ASSESS CURRENT AND FUTURE DEMAND FOR HOUSING

In assessing the current and future demand for housing, the Economic Development Advisory Board looked at the demand for an increased number of housing units, the types of units that would most likely be needed, rental vs. ownership, and the range of housing prices needed.

Additional Housing Units Needed by 2025

HousingWorks RI's *Projecting Future Housing Needs Report*, commissioned by Rhode Island Housing and published in April 2016, projects housing growth in Rhode Island from 2014 to 2025.²

The report provides two scenarios for future growth. The Status Quo Scenario assumes “that current trends in births, deaths, and migration rates continue as they are today.” The Stronger Growth Scenario assumes an improving Rhode Island economy, resulting in “modest job growth and greater attraction and retention of the 20-44 year-old population through reduced out-migration and increased in-migration.” The study relies on the data from the US Census Bureau American Community Public Use Microdata Survey (PUMS), which is available by Rhode Island sub-regions but not by individual municipalities, to look at regional population and household projections. North Kingstown is included in the South RI region, which also includes Charlestown, Exeter, Hopkinton, Narragansett, New Shoreham, Richmond, South Kingstown and Westerly.

The study projects overall Rhode Island population growth from 2014-2025 of 3.3% under the Status Quo Scenario and 4.5% under the Stronger Growth Scenario. The sub-state area projected to receive by far the greatest growth is the City of Providence. South RI is the only other sub-state area projected to experience population growth from 2014-2025. The South RI population is projected to grow by about 1.5% under the Status Quo Scenario and by about 2.5% under the Stronger Growth Scenario. Under both scenarios, the number of persons age 65 and older in South RI is projected to increase to more than 11,000 people. South RI's younger worker population (20-44) is projected to increase by 26% under the Status Quo Scenario and by 30% under the Stronger Growth Scenario.

While the projected population growth in South RI is between 1.5 and 2.5%, depending on which scenario you look at, the number of households is projected to grow by 10% and 11% under the two scenarios. This larger growth in number of households, which is projected across the state, is due to the projected decrease in household size, which is largely due to the aging population.

² The full report can be accessed at <https://www.housingworksri.org/Portals/0/Uploads/Documents/HWRI-Projecting-Future-Housing-Needs-Report-04-06-16.pdf>.

And, as the report notes, “This growth in the number of households will create demand for new housing units.” After deducting the number of housing units already in the pipeline as of 2014, the report projects that South RI will need about 3,400-3,700 new units under both the Status Quo Scenario and the Stronger Growth Scenario.

While the report does not look at individual communities, the EDAB used the report’s projections to make some estimates about growth in household numbers and in the need for additional housing units in North Kingstown between 2014 and 2025.³ (Note: Our estimates are based on the assumption that during this period North Kingstown’s share of the total number of South RI households will remain the same as its current share. This may very well be a conservative assumption. Given North Kingstown’s fine school system, the growth in employees projected at Quonset, its attraction as a retirement community, and its access to highway and railroad lines, it is quite possible that North Kingstown’s population share could increase in the coming years if housing is available to meet market demands.)

North Kingstown household growth. The current number of households in North Kingstown is 10,287. Applying the South RI growth rates of 10% (Status Quo scenario) and 11% (Stronger Growth scenario), we can estimate that the growth in the number of households in North Kingstown from 2014 to 2025 will be 1,000-1,100. (Alternatively, we can estimate household growth by taking North Kingstown’s percentage of households in South RI (21%) and applying that percentage to projected household growth in South RI. That method results in projected household growth of 1,200.)

North Kingstown -- new housing units needed. North Kingstown has 21% of the household units in South RI. If we apply that percentage to the number of new housing units that the report projects will be needed in South RI beyond those already in the pipeline, then we can estimate that North Kingstown may need as many as 700-775 units beyond those that were already in the pipeline when the report was written.

Types of New Housing Units Needed by 2025

The EDAB looked at what types (i.e., single family vs. multi-family, sale vs. rental, price levels) of new housing units will be in demand in the coming years. The *Projecting Future Housing Needs Report* provides overall projections for Rhode Island⁴ and for South RI.

For Rhode Island as a whole, the report projects that:

- “In light of Rhode Island’s very low levels of housing unit production over the past three decades, there will need to be an increase in production, particularly for multifamily properties, to meet projected new housing unit demand.”

³ HousingWorks RI at Roger Williams University reviewed and supports the methodology EDAB used.

⁴ The report based its future counts of housing unit type and household size on “current household preferences for ownership or rental, single family or multi-unit properties” and on “the difference between current household types and future household types.” It also considered healthy housing market vacancy rates and reduced the number of new units needed by building projects already in the building permit process.

- Under the Status Quo Scenario, 86% of the new housing units needed will be multi-family units (“commonly found in Rhode Island as duplexes, triple deckers, courtyard apartments, or apartment complexes.”) Under the Stronger Growth Scenario, 81% of the new units needed will be multi-family units.
- “...more than 80% of new households are projected to live in multifamily units. This will mean that over 30,000 of the projected new housing units will be needed in multifamily properties such as townhouses, condominiums, duplexes, and apartments.” (1) This is “almost ten times the number of multifamily permits issued in the past 10 years.”

For South RI, the sub-state area that includes North Kingstown, the report projected that

- There will be almost no demand for new single family units (beyond those already in the pipeline.) (29)

The report explains that the strong future demand for multi-family housing is due to the growth in two population groups -- people over the age of 65 and younger workers (ages 20-44.) It notes that

- “. . . the majority of younger Rhode Island’s working-age population age 20-44 is projected to seek out the urban center and the southern areas of the state. . . . Southern communities are projected to have a younger worker (20-44) population growth of more than 9,400” under Status Quo Scenario and about 10,800 under Stronger Growth Scenario. (26)
- In 2014, South RI population 65 and older made up 26% of population. The percentage is expected to climb to 38% by 2025. (27)

Published reports and studies indicate that both these population groups are likely to be interested in multi-family housing for a number of reasons.

Note: The current demand for multi-family housing was confirmed by Stephen Moran who developed and operates several properties, including both rental and for-sale units, at different price points. They include the Village at Sawmill Square, Heritage Green and Heritage House. Moran stated that there is serious demand for multi-family units and that his properties are basically running at 100% occupancy. He noted that 1-BR condominium units are of interest to 65+ buyers who want to sell their single-family homes but stay in North Kingstown. He also noted that he had a fair amount of Quonset employees in his properties.

Rental vs. Home Ownership

The *Projecting Future Housing Needs Report* states that:

- Under the Status Quo Scenario 73% of the new housing units needed will be rental units. Under the Stronger Growth Scenario 70% of the new units needed will be rental units.

Range of Housing Prices Needed

The *Projecting Future Housing Needs Report* states that:

- Nearly all of the new households are projected to have incomes below 120 percent of the Area Median Income. This is due to the fact that the populations that are

projected to grow also tend to have lower incomes: seniors, millennials just starting their careers, and persons of color.” (1)

- “There will be a need to increase the supply of housing units that are affordable to lower income households given that lower income households are projected to increase over time.”

HousingWorks also publishes an annual *Housing Fact Book* which provides some specific data for each Rhode Island municipality. The *2017 Housing Fact Book* reports that the average rent for a 2BR rental in North Kingstown in 2015 was \$1,406. The average 2-bedroom monthly rental in North Kingstown rose 12% between 2011 and 2016 and North Kingstown is at the top of rental costs in Southern Rhode Island. We also know that in 2006, prior to the Great Recession, the average two-bedroom rental in North Kingstown was as high as \$1,505.

Between 2011 and 2016, the median single-family home price in North Kingstown rose by 19%. At a median single-family home price of \$354,750, North Kingstown is at the top of median family home prices in Southern Rhode Island.

A typical household budget presumes that housing will cost no more than 30% of income. Below are a range of annual incomes along with what 30% of that annual income would be to go toward housing

| Annual income | \$ 30,000 | \$ 50,000 | \$ 70,000 |
|---|-----------|-----------|-----------|
| 30% housing cost (rent & utilities OR principle, interest, taxes, insurance) | \$ 750 | \$ 1,250 | \$ 1,750 |

Specific demand for housing amongst Quonset workers

The original impetus for this study was the EDAB’s belief that North Kingstown should be able to attract a higher percentage of Quonset employees to live in town. *The Economic Impact of the Quonset Business Park*, published in September 2016 projects that employment at Quonset will increase from approximately 10,300 full-time employees to 16,500 by 2030, a growth of 6,200 full-time employees.⁵ Surveys conducted in 2007 and 2013 indicate that in those years approximately 10.5% of Quonset workers lived in North Kingstown. If 10.5% of the 6,200 additional Quonset employees choose to live in North Kingstown, that would represent 651 new households. Our hope is that with the availability of appropriate housing, an even higher percentage of the additional Quonset workers might decide to live in North Kingstown.

⁵ *The Economic Impact of the Quonset Business Park*, A Report Prepared for The Quonset Development Corporation by The Center for Global and Regional Economic Studies and the John H. Chafee Center for International Business, Bryant University, September, 2016. Edi Tebaldi, Ph.D.

In order to better understand the housing needs of Quonset workers, the EDAB had originally hoped to work in partnership with the QDC and Quonset employers to conduct a fairly extensive employee survey of the workers at Quonset firms. To that end, we developed a draft 26-question survey that we shared with the QDC. The QDC supported the idea of a survey and invited us to present our concept for the housing study and planned survey at a meeting of several Quonset employers. We then followed up with individual outreach to several more employers. While several of the smaller companies at Quonset were interested in the study and ready to help us by disseminating the survey, neither Toray nor Electric Boat wished to participate in the survey. Since those two firms together account for 4,300 employees or 39% of the current Quonset workforce, and since much of the employee growth at Quonset in coming years is expected to be at EB, we decided that without their participation survey results would not be valid.

However, we believe that we can make some educated guesses about the characteristics of future Quonset workers. First, we can assume that as older workers retire and as new jobs are created, many of the workers filling those jobs will be millennials. Second, the average annual wage for Quonset Business Park employees is \$56,524.