

Workforce Housing in New Hampshire

- ◆ **Housing Market Update**
 - ◆ **Workforce Housing Law**
-

New Hampshire Gaming Study Commission

March 2, 2010

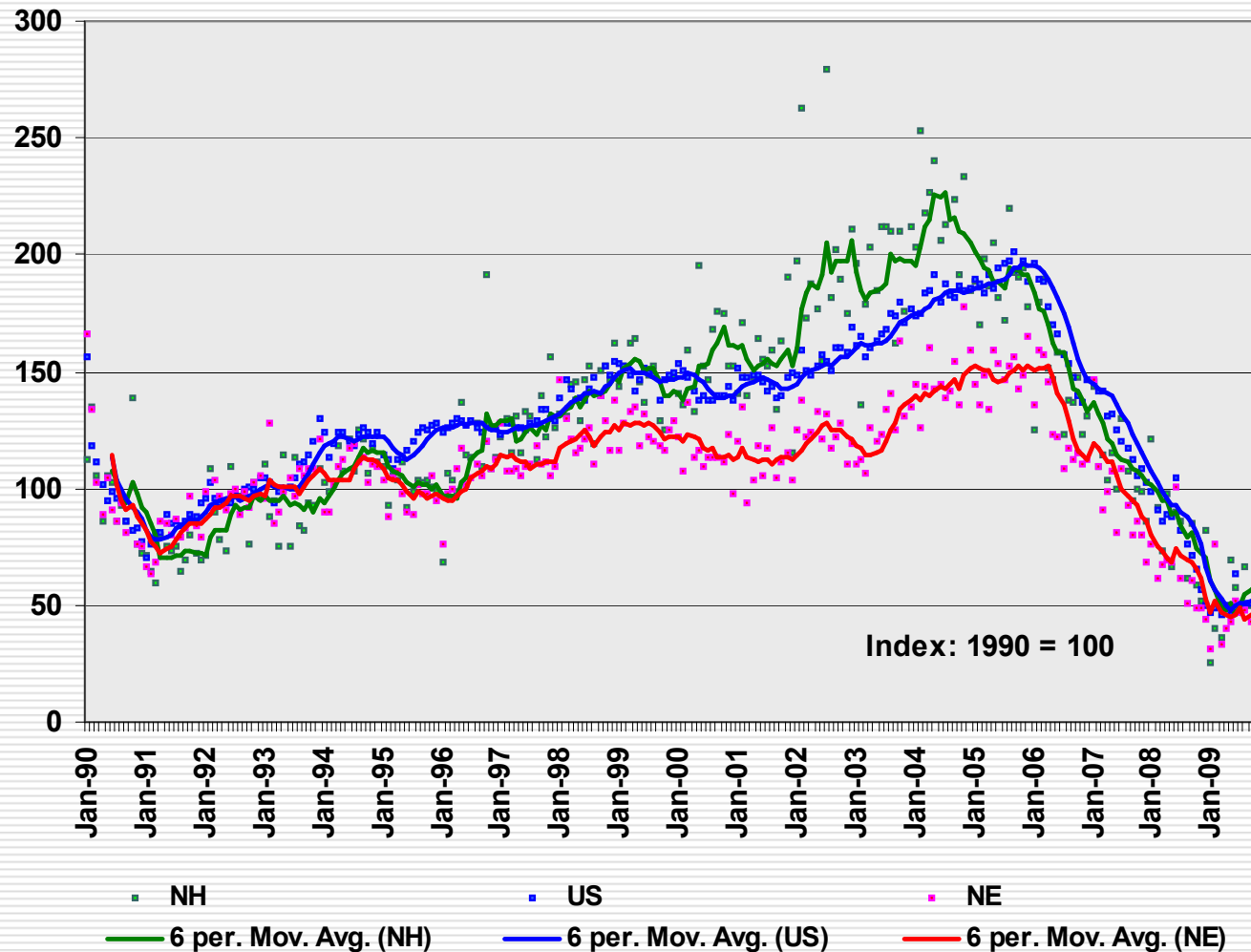


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Director, Public Affairs
New Hampshire Housing

New Hampshire Owner Housing Market Update

Trends In Housing Permit Activity

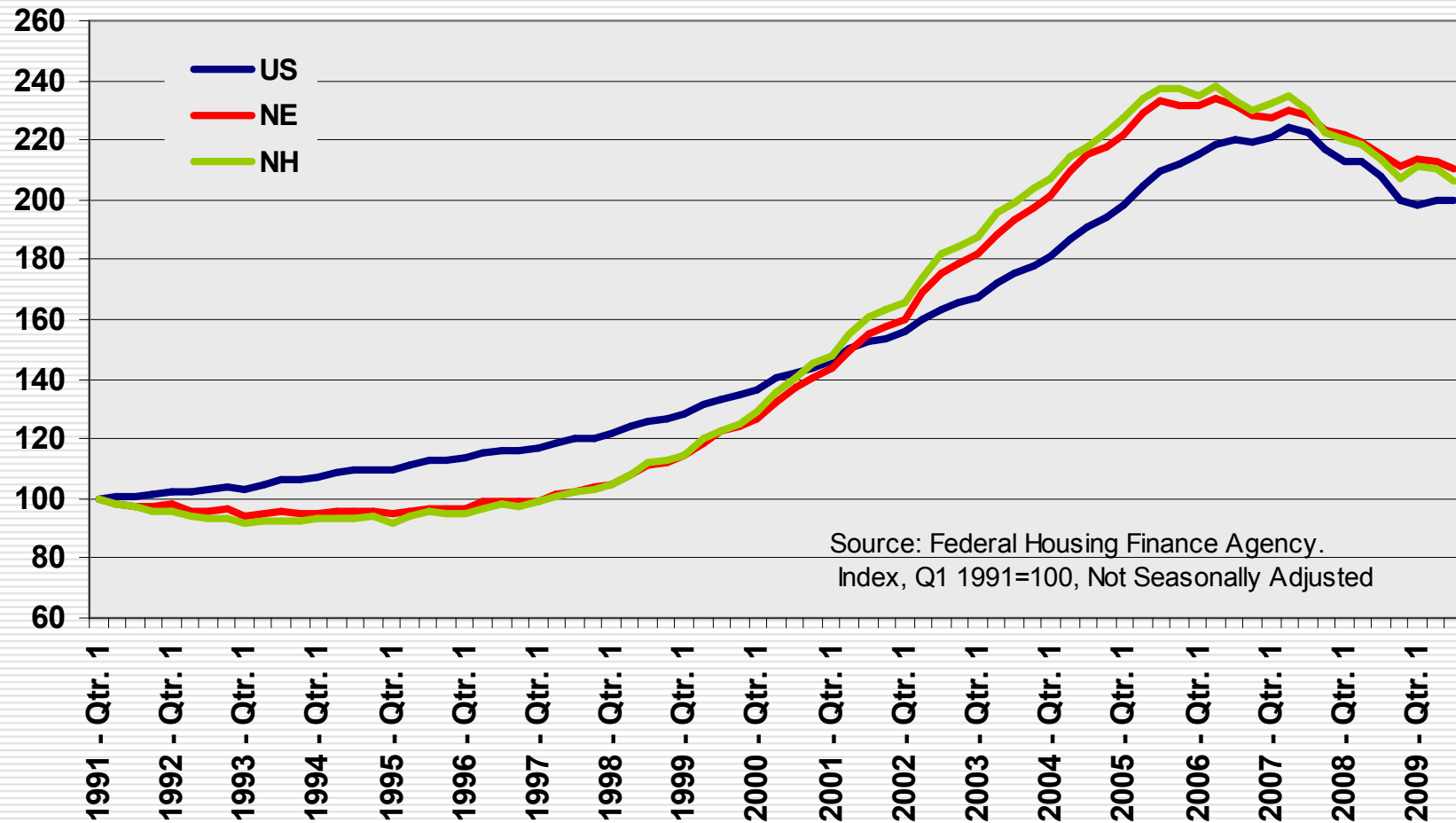
(Index of 6-Month Moving Averages of Seasonally Adjusted Authorized Permits)



In New Hampshire, New England and the US, 2009 ranks as the year with the least amount of housing construction activity in over twenty years. Will 2010 show any improvement?

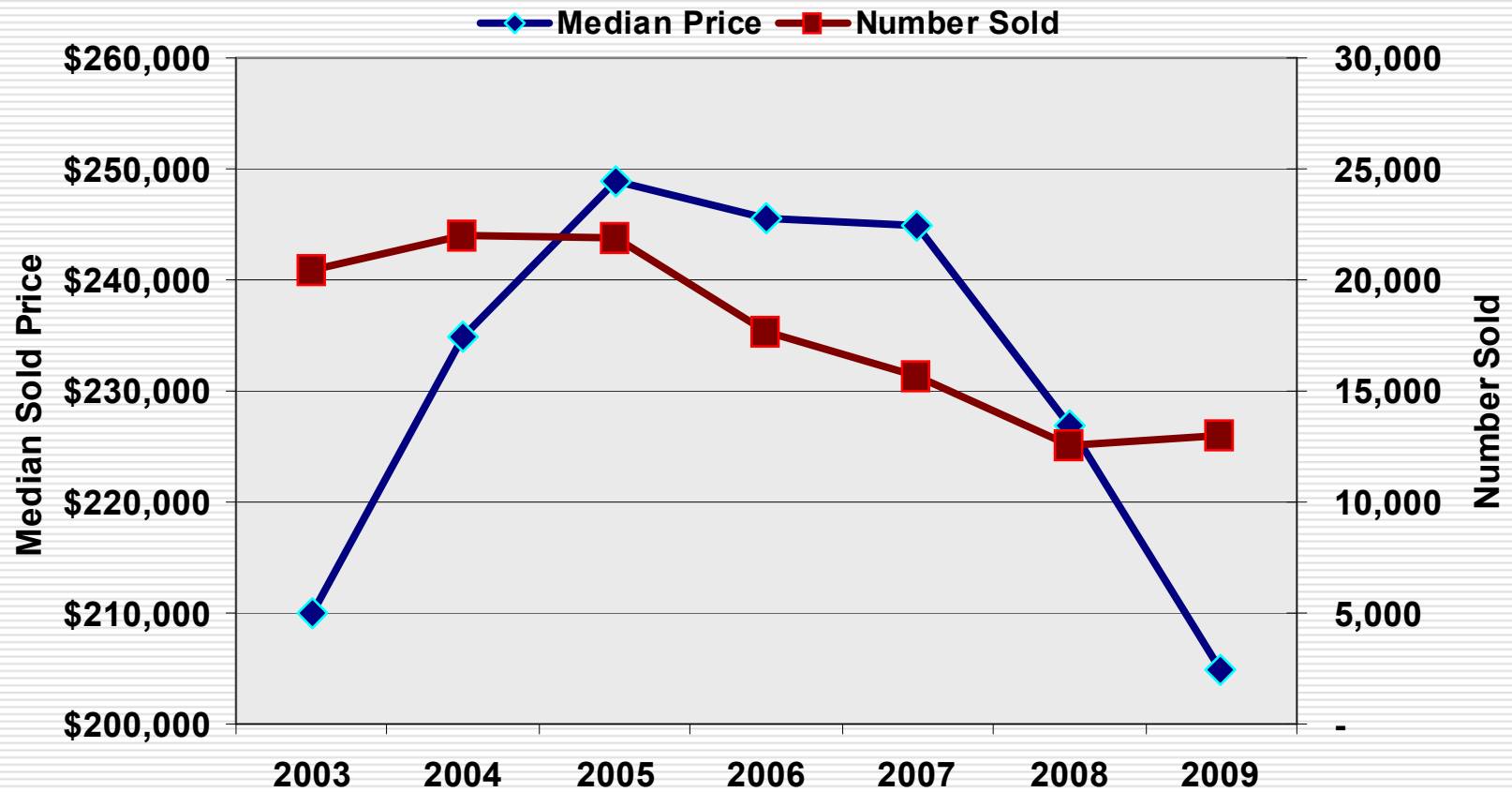
Source: U.S. Dept. Of Commerce Construction Statistics Division

Home Price Index - Purchase Only



Based on this index, the decline in US home prices appears to have leveled off. Prices in New England and New Hampshire may still be declining.

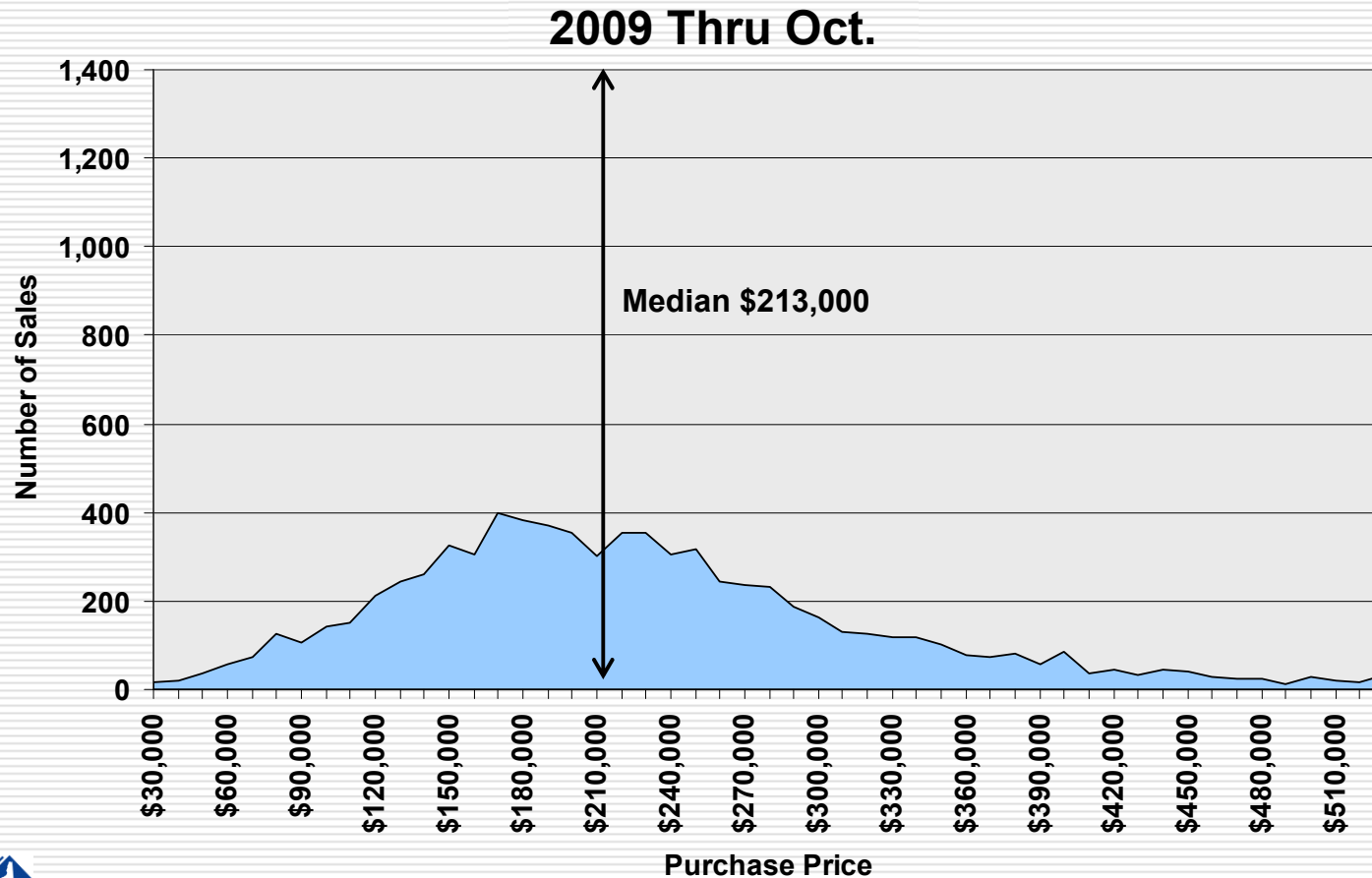
NH MLS Residential Property Sales By Year



Based on healthy 4th quarter sales, residential real estate sales volume for 2009 increased (3.4%) over the prior year for the first time since 2004. At the same time, the median sales price was down 9.7% from 2008, 17.7% below its peak in 2005, and at a level not seen since 2002.

Based on information from the Northern New England Real Estate Network for towns in New Hampshire

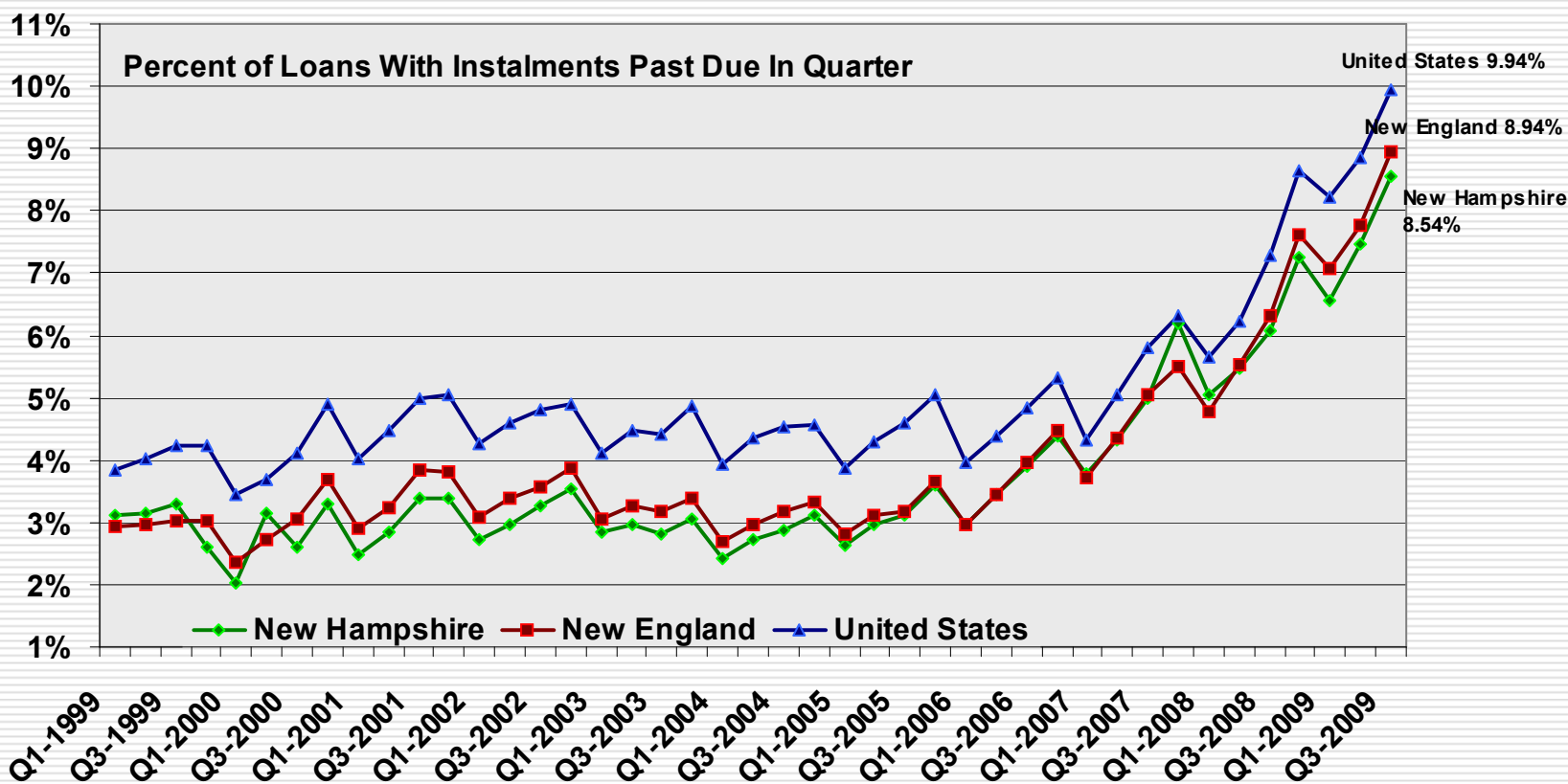
NH Median Home Price and Sales Frequency 2000 to 2009



Median prices increase steadily through 2005, level out, then decline in 2008 and 2009. Sales volume remains fairly constant through 2005, then declines 2006 thru 2008.

Source: New Hampshire Dept. of Revenue PA-34 form data, compiled by NHHFA

Delinquency Rates For United States, New England and New Hampshire, through Q3-2009

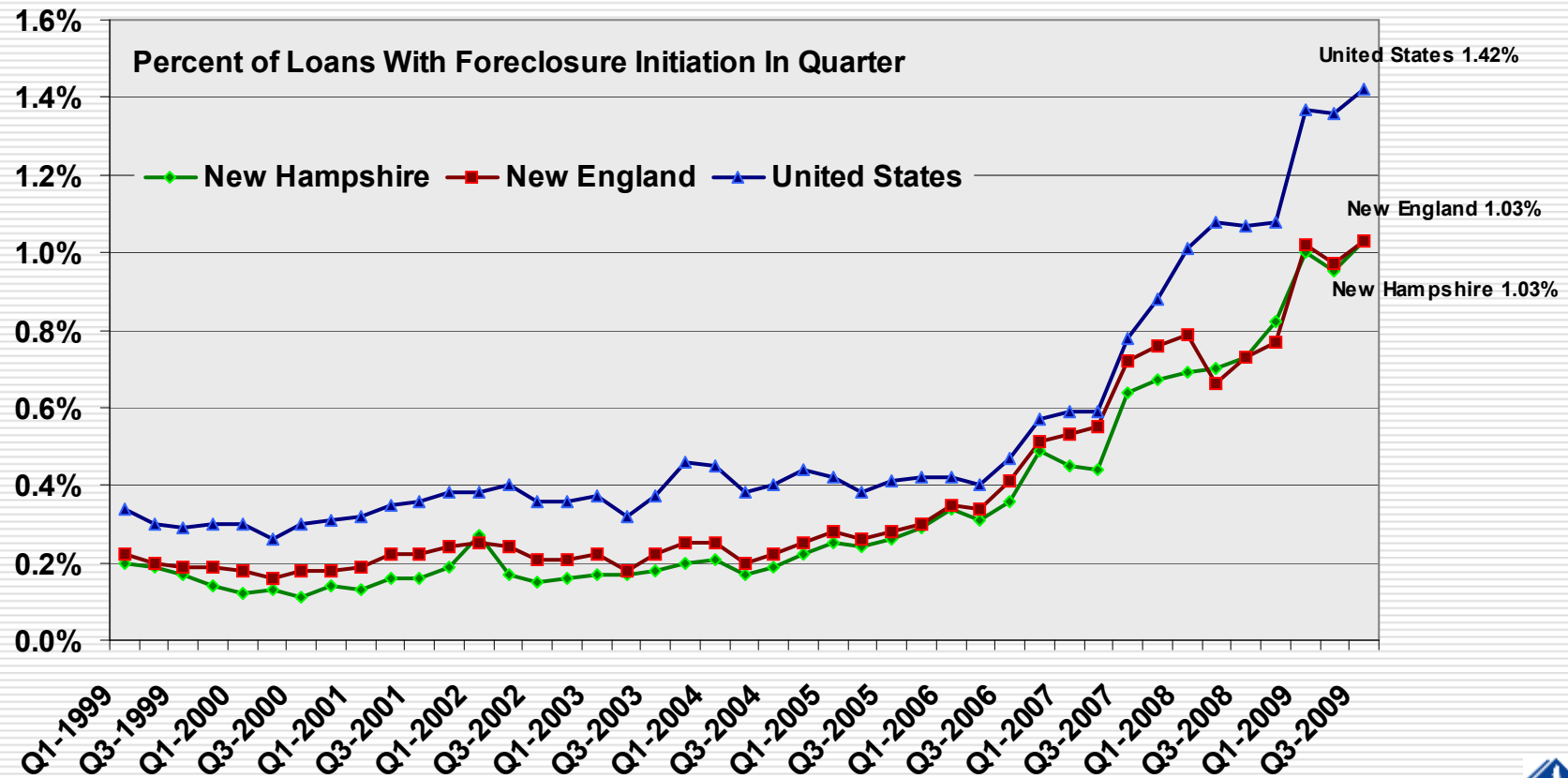


Source: Mortgage Bankers Association, *National Delinquency Survey*

Prepared by New Hampshire Housing

2009 3rd quarter mortgage delinquency rates continued their upward climb, setting new record highs for the U.S., New England, and New Hampshire. On balance, New Hampshire's delinquency rate is lower than the US and similar to or slightly lower than four of the five other New England states. Only Vermont has a lower mortgage delinquency rate in New England.

Foreclosure Rates For United States, New England and New Hampshire, through Q3-2009



Source: Mortgage Bankers Association, *National Delinquency Survey*

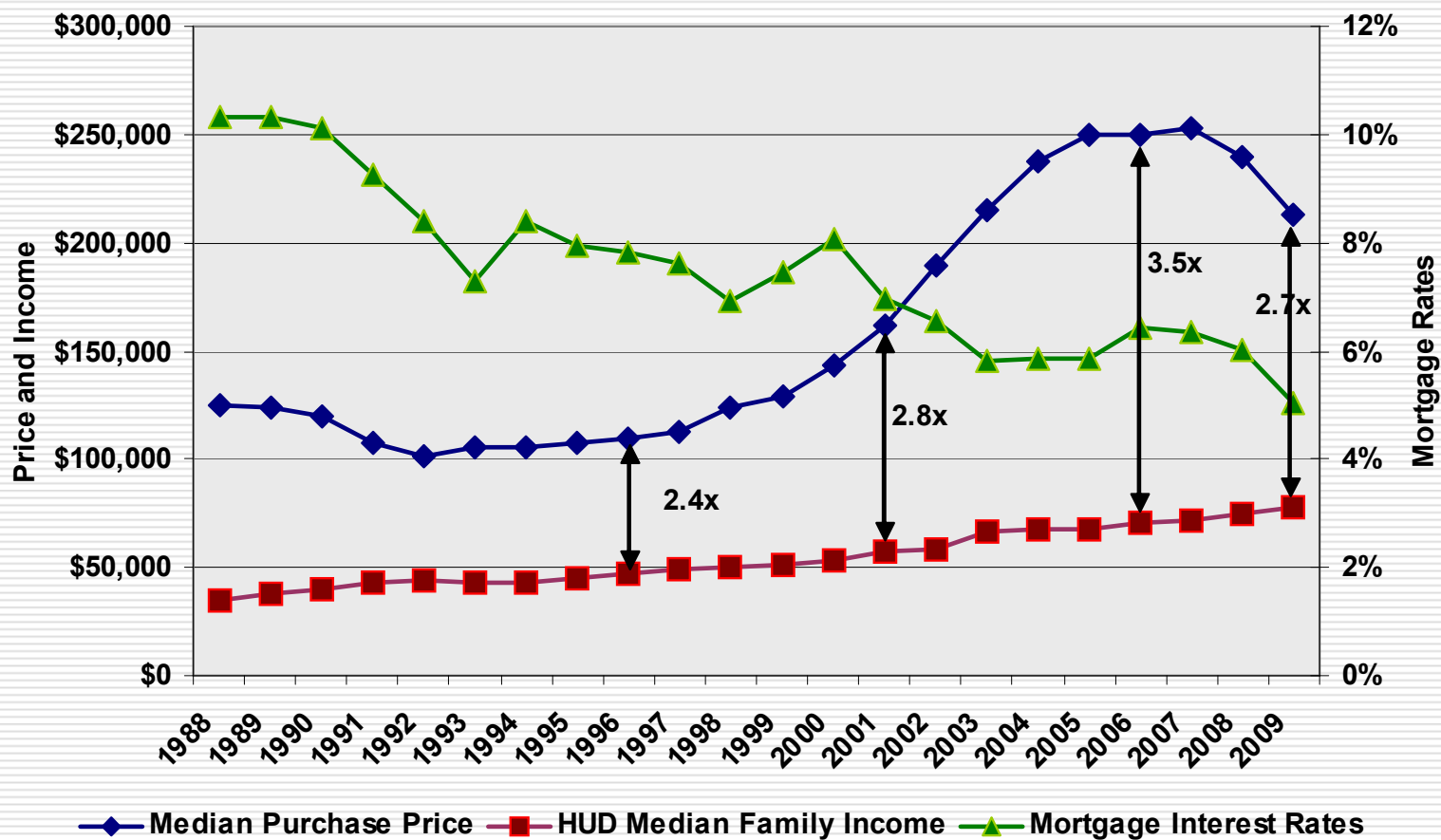
Prepared by New Hampshire Housing



The New Hampshire foreclosure initiation rate in the 3rd quarter of 2009 increased slightly to 1.03%, about 1 in every 100 mortgages, a new high. This rate is the same as New England's, but much lower than the U.S. average rate. Only a portion of foreclosure initiations result in a foreclosed property.

Factors Contributing to Home Affordability in New Hampshire

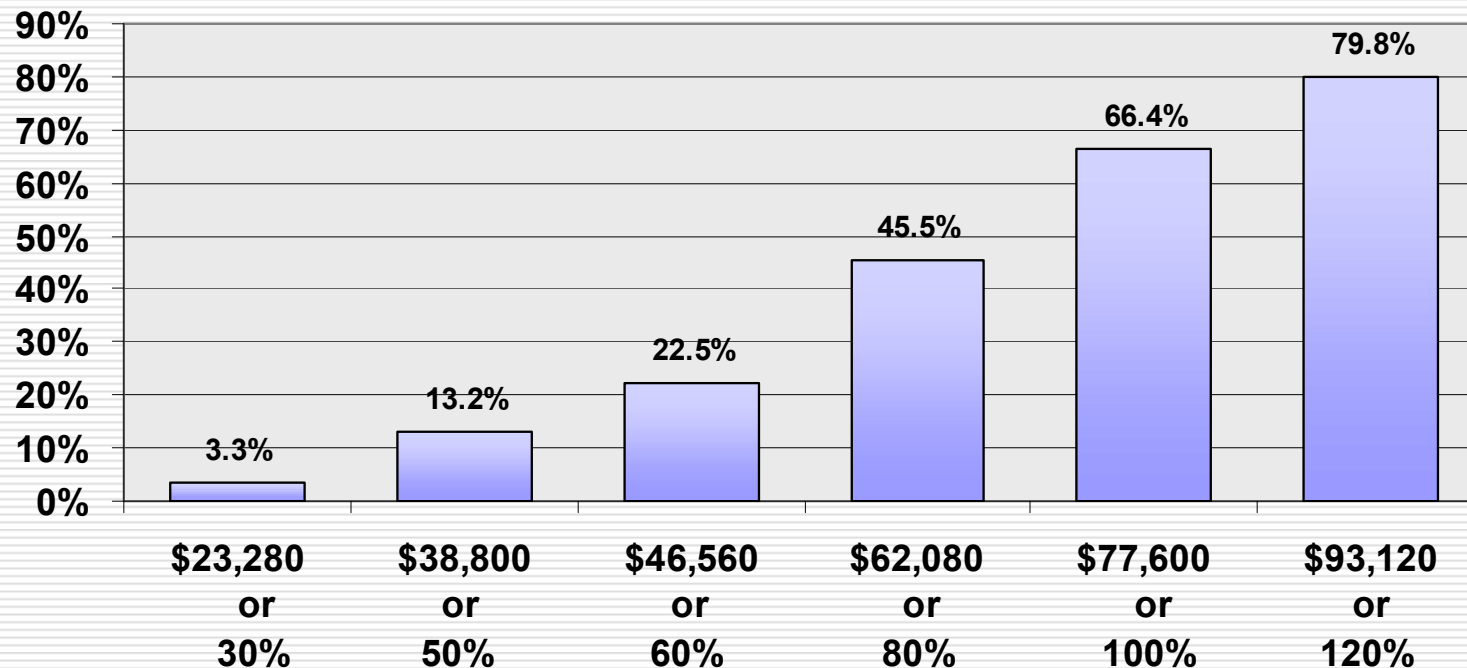
Median Purchase Price, Median Family Income
and Mortgage Interest Rates



Home prices are back down, Mortgage Interest Rates are at all time lows, and incomes continue to steadily increase. Does that mean housing is affordable again?

Sources: NHHFA Median Price Data, Dept of Housing and Urban Development 2009 Median Family Income Estimates, Freddie Mac Mortgage Market Survey,

Percent of NH Housing Units Sold in 2009 Affordable at Selected Household Incomes

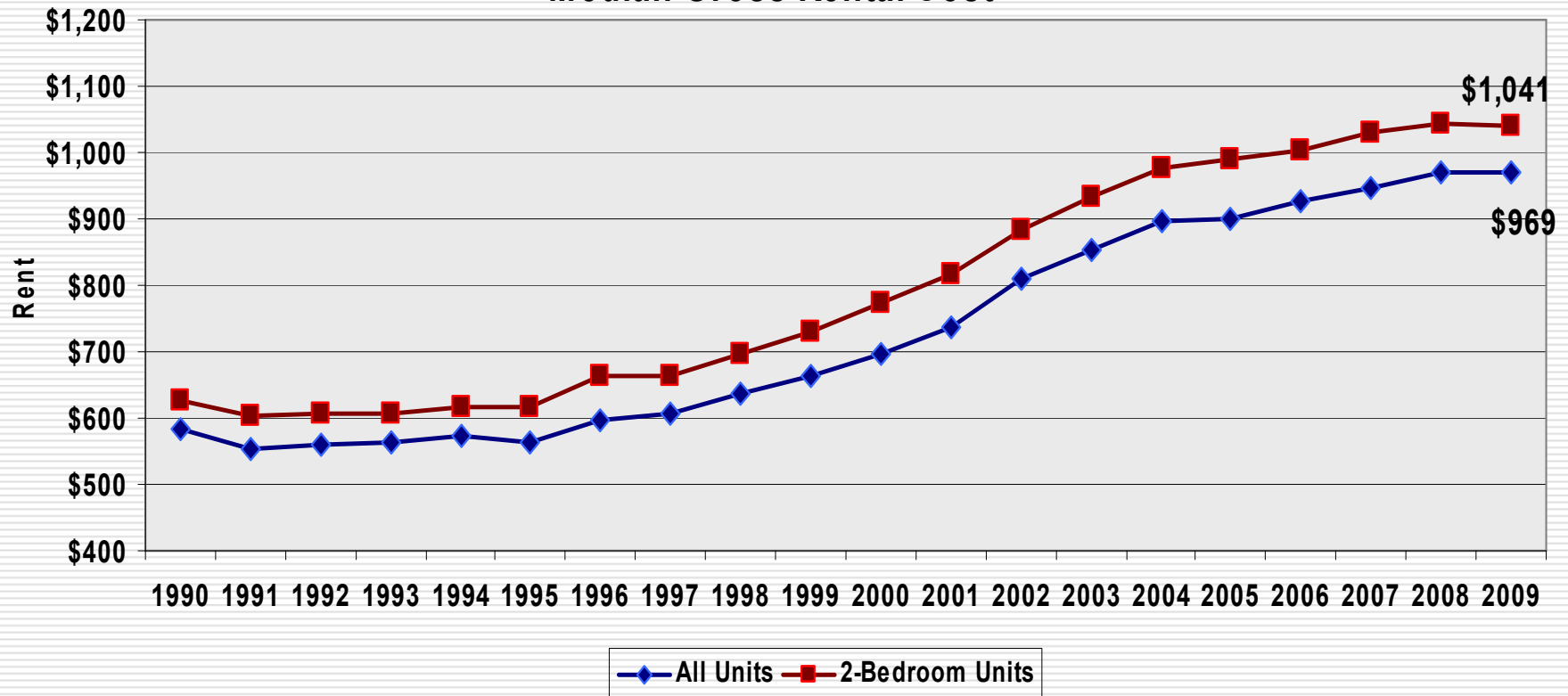


of Statewide Median Income for 4 Person Household

At the statewide median family income (\$77,600), and using current mortgage interest rates, roughly 2/3 of the available housing is “affordable”. But this measure alone misses many of the roadblocks households may face on entry into the market including; high levels of consumer debt, poor credit scores, and high down-payment requirements. In addition, what about the other half of New Hampshire’s households, those with incomes below the median?

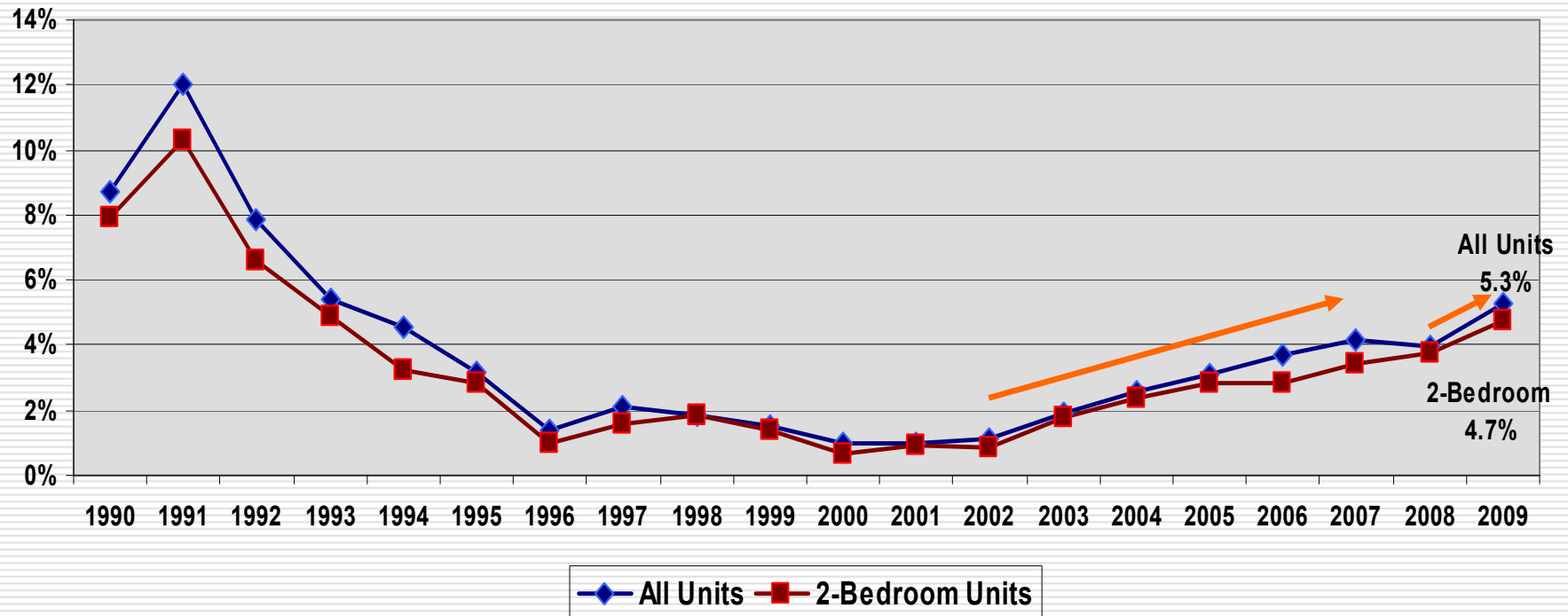
New Hampshire Rental Housing Market Update

New Hampshire Median Gross Rental Cost



The Statewide Median Gross Rent (includes utilities) as measured in the 2009 survey has not changed significantly from 2008. At \$1,041 for a 2-bedroom unit it remains above the one thousand dollar mark for the fourth year in a row.

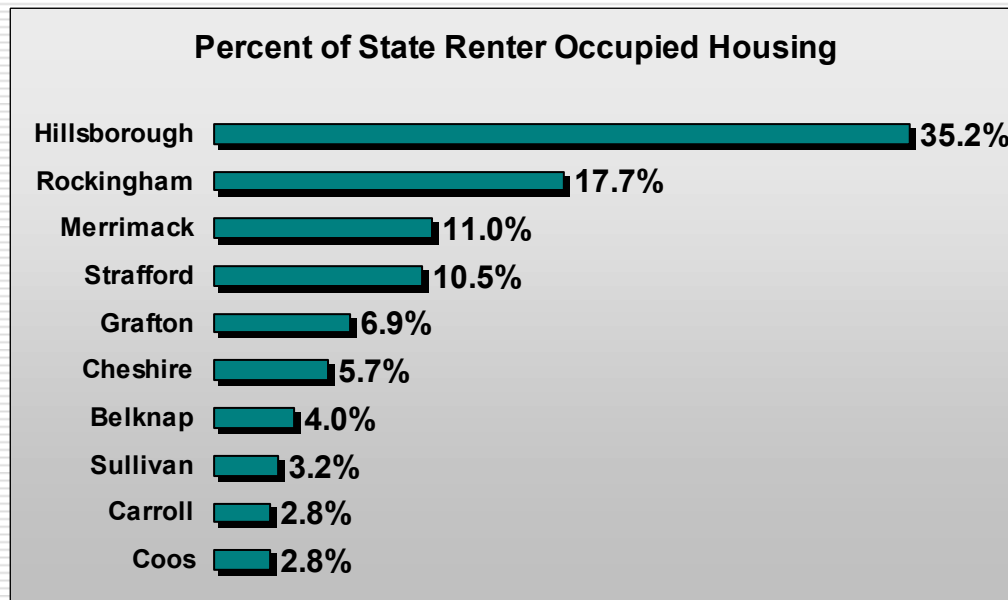
New Hampshire Vacancy Rate of Rental Housing Units



The vacancy rate, an indicator of supply in the rental market, has increased steadily since 2002. For the early part of the decade, the increasing ownership rate was a significant contributor to the vacancy increase. More recently, the economic slowdown has reduced household formation (possibly now a contraction) and introduced additional units, formerly for-sale, to the market.

2009 Residential Rental Cost Survey

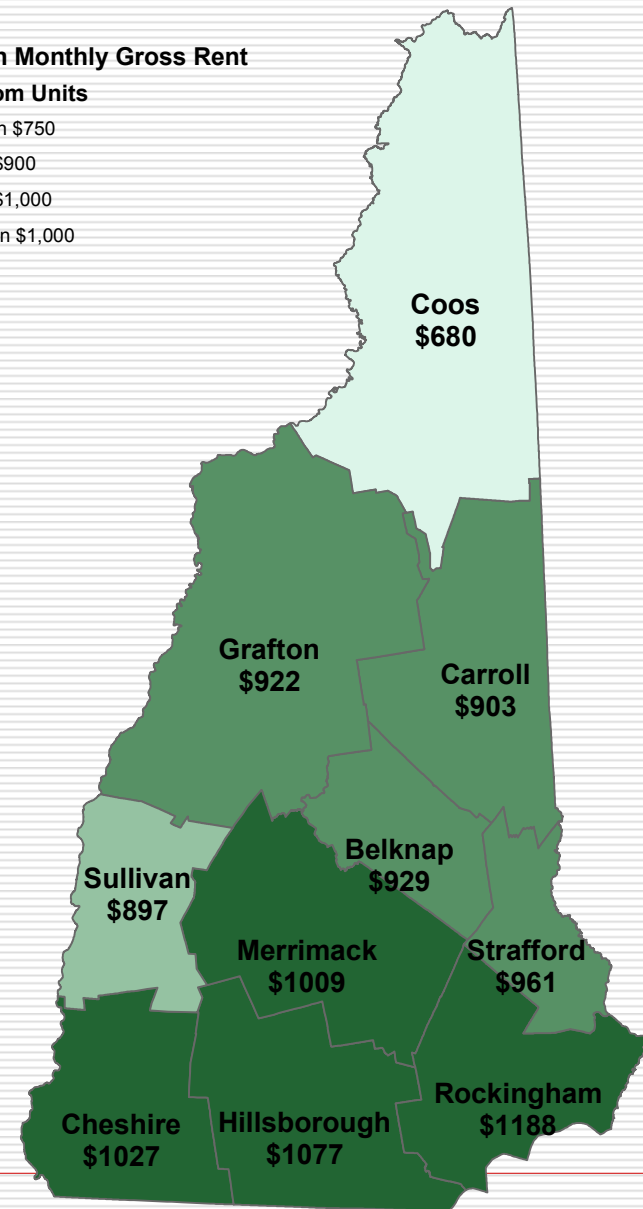
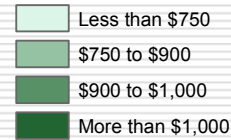
**Statewide Median Gross
Rent for 2-Bedroom Units
\$1,041**



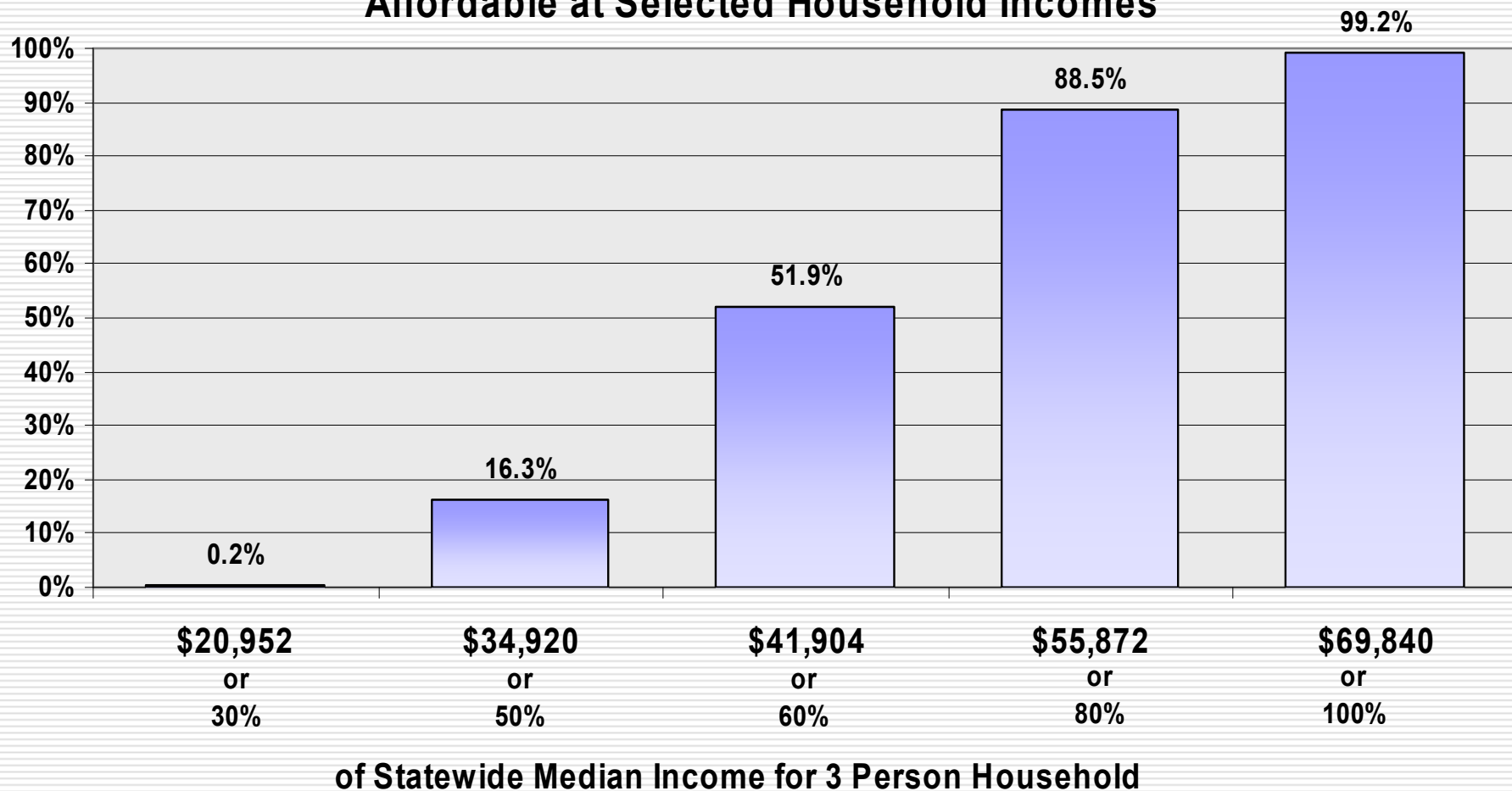
Rents are highest in the Southern Counties of the state, closest to the Boston labor market. Most of the rental units in the state (75%) are located in Hillsborough, Rockingham, Merrimack and Strafford Counties.

Monthly Median Gross Rental Cost

**2009 Median Monthly Gross Rent
For 2-Bedroom Units**



**NH Statewide, Percent of 2-Bedroom Units in
2009 Rental Cost Survey
Affordable at Selected Household Incomes**



New Hampshire Workforce Housing Law

Affordable Housing Law in NH

☐ **Britton v. Town of Chester (1991)**

- **Interpretation of the zoning power**
- **Municipalities are not “isolated enclaves”**
- **The obligation of every city and town: provide a reasonable and realistic opportunity for the development of affordable housing**
- **“Community” means the region within which a municipality is situated—“fair share”**
- **The “builder’s remedy”**

☐ **Then what happened?**

Workforce Housing -- Standards

- ☐ **2008 NH legislative response to high housing costs—studied for a decade**
 - ☐ **Codifies *Britton v. Chester*, 134 NH 434 (1991)**
 - ☐ **Consensus view of NH Municipal Association and “affordable housers” (and BIA support)**
 - ☐ **Standards**
 - **Affordable (30% of income)**
 - **Owner family of 4 at 100% AMI**
 - **Renter family of 3 at 60% AMI**
-

2009 Workforce Housing Purchase and Rent Limits, RSA 674:58 - :61

This is an update to information that New Hampshire Housing provided to the Legislature in 2008 as it deliberated on the Workforce Housing statute. The purpose of this table is to assist municipalities in implementing the NH Workforce Housing statute, RSA 674:58 - :61. This analysis incorporates statutory requirements, and includes reasonable market assumptions for the targeted households' income levels such as interest rate, downpayment, mortgage term, taxes, and insurance.

Ownership			Renters	
100% of 2009 HUD Median Area Income Family of four			60% of 2009 HUD Median Area Income Adjusted for a family of three	
	Income	Estimated Affordable Purchase Price ¹	Income	Estimated Affordable Monthly Rent ²
<u>HUD Metropolitan Fair Market Rent Areas (HMFA):</u>				
Boston-Cambridge-Quincy MA-NH	\$90,200	\$290,000	\$48,710	\$1,220
Hillsborough Co. NH (Part)	\$77,000	\$228,000	\$41,580	\$1,040
Lawrence, MA-NH	\$84,800	\$256,000	\$45,790	\$1,140
Manchester, NH	\$76,800	\$234,000	\$41,470	\$1,040
Nashua, NH	\$90,000	\$271,000	\$48,600	\$1,220
Portsmouth-Rochester, NH	\$80,000	\$244,000	\$43,200	\$1,080
Western Rockingham Co, NH	\$95,200	\$289,000	\$51,410	\$1,290
<u>County Fair Market Rent Areas (Non Metro):</u>				
Belknap County	\$67,300	\$211,000	\$36,340	\$910
Carroll County	\$63,400	\$211,000	\$34,240	\$860
Cheshire County	\$68,300	\$199,000	\$36,880	\$920
Coos County	\$54,800	\$164,000	\$29,590	\$740
Grafton County	\$67,800	\$209,000	\$36,610	\$920
Merrimack County	\$74,900	\$224,000	\$40,450	\$1,010
Sullivan County	\$64,300	\$194,000	\$34,720	\$870

¹ Estimated maximum price using 30% of income, 5% down payment, 30year mortgage at 5.74%, 0.7 points, PMI, and

² Estimated maximum gross monthly rental cost (rent + utilities), using 30% of income.

Workforce Housing -- Standards

- ☐ Reasonable and realistic opportunities for workforce housing in *every* municipality
 - ☐ *Economic viability* of WH development
 - Collective impact of regulations (facial)
 - Conditions of approval (as applied)
 - ☐ Allow workforce housing in a majority of residentially-zoned land area
 - ☐ Make some reasonable provision for multi-family housing (≥ 5 units) somewhere in the community
-

Workforce Housing – “Fair Share”

- ☐ Existing housing stock shall be accounted for to determine if a municipality is providing its “fair share” of current and reasonably foreseeable regional need for workforce housing.
 - View this as an *affirmative defense*
 - Not a necessary inquiry – a local choice
 - ☐ Reasonable restrictions may be imposed for environmental protection, water supply, sanitary disposal, traffic safety, and fire and life safety protection.
-

Workforce Housing – Local Board Process

- ☐ **Applicant must notify the local land use board that a workforce housing development is being proposed**
 - ☐ **Planning board RSA 676:4 plat review (or other process) proceeds as normal**
 - ☐ **Upon approval with conditions, the board notifies the applicant of the conditions, who then has at least 30 days to identify the cost impact of the conditions upon the economic viability of the project**
-

Workforce Housing -- Appeals

- ☐ To superior court if application is denied or has conditions that have a substantial adverse effect on the project's viability. Burden is on developer to show how the municipality's actions violated the Workforce Housing statute (*an as-applied test*)
 - ☐ Hearing on the merits within 6 months; option to appoint a qualified referee
 - ☐ “Builder’s Remedy” shall include affordability restrictions on workforce housing units
-

Workforce Housing – Implications

☐ **Effective January 1, 2010**

☐ **Questions:**

- **What is *fair share*? No numerical standard or formula**

- **What is *reasonable and realistic*?**

- **How to determine *economic viability*?**

☐ **Entering an era of “regulatory fiscal impact analysis”?**

☐ **“Inclusionary zoning” identified to meet statutory obligation (but even that’s not a guarantee)**

Inclusionary Zoning

- ❑ NH RSA 674:21,IV(a): "Inclusionary zoning" means land use control regulations which provide
 - a *voluntary incentive* or benefit to a property owner
 - to *induce* the property owner
 - to *produce housing units*
 - which are *affordable* to persons or families of low and moderate income
 - ❑ Until WH law was enacted, not much local IZ adoption in NH (but a couple standouts)
-

Workforce Housing Zoning Results

- ☐ **Varied zoning proposals**
 - **Floating and overlay zones**
 - **Density bonuses, reduced lot sizes**
 - **Multi-family zones, changes to definitions**
 - **Flexible development standards**
 - ☐ **Several dozens of IZ proposals adopted or pending throughout NH**
-

Workforce Housing Success Stories



Watson Woods
*28 units in 6 multi-family
townhouse buildings*

□ Exeter

- Mixed income development
- In exchange for greater density, 20% of the units must remain affordable
 - Targeting: 80% (4 units) and 120% (16 units) median income, plus 8 unrestricted (and more units elsewhere)
- 30-year renewable resale restriction

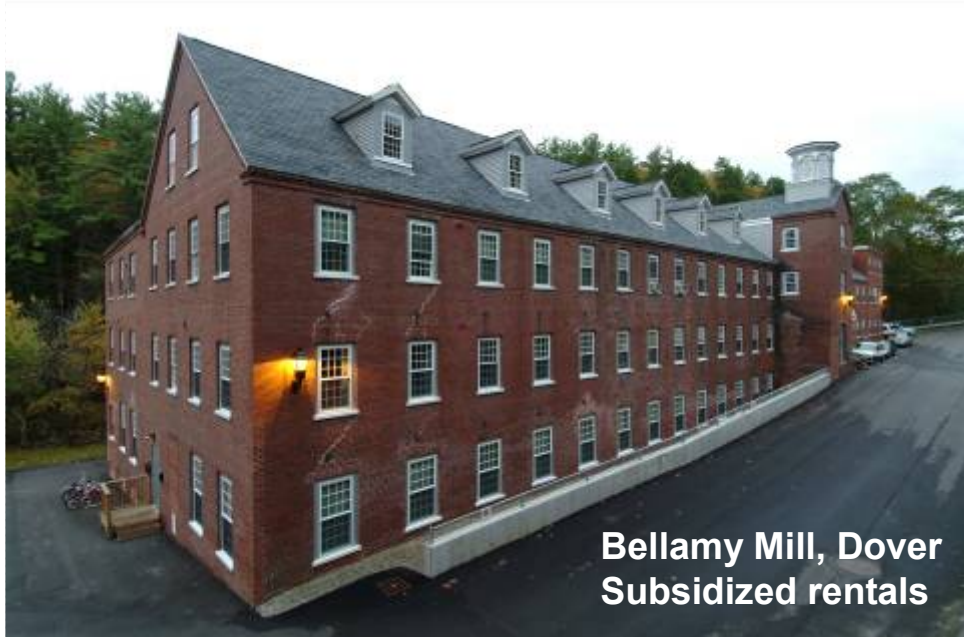
Workforce Housing Success Stories

☐ Amherst

- Special use permit by planning board prior to design engineering
- Standard zoning doesn't apply—some options:
 - ☐ 3/4 acre max. density
 - ☐ Income restricted for 10 years (100% AMI)
 - ☐ Size restriction (1,300 s.f.)



Northwoods/Southwoods
*25 single family units in
two adjacent developments*



Bellamy Mill, Dover
Subsidized rentals



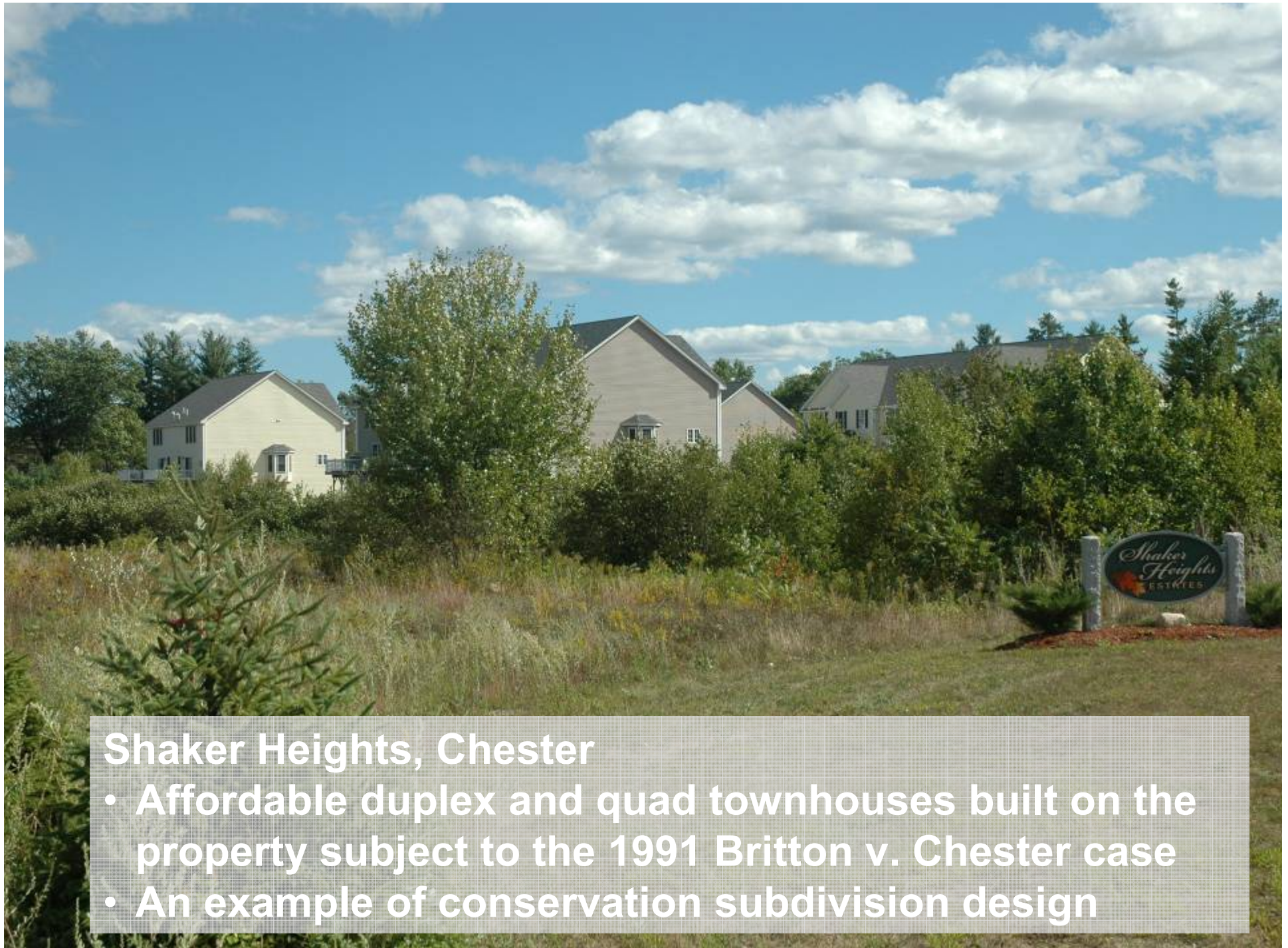
Bellevue, Amherst
Affordable unsubsidized condo quads



Bellevue, Amherst
Affordable unsubsidized condo duplexes



Squamscott Block, Exeter
Subsidized and market rate rentals



Shaker Heights, Chester

- Affordable duplex and quad townhouses built on the property subject to the 1991 Britton v. Chester case
- An example of conservation subdivision design

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New Hampshire Housing

Bringing You Home
