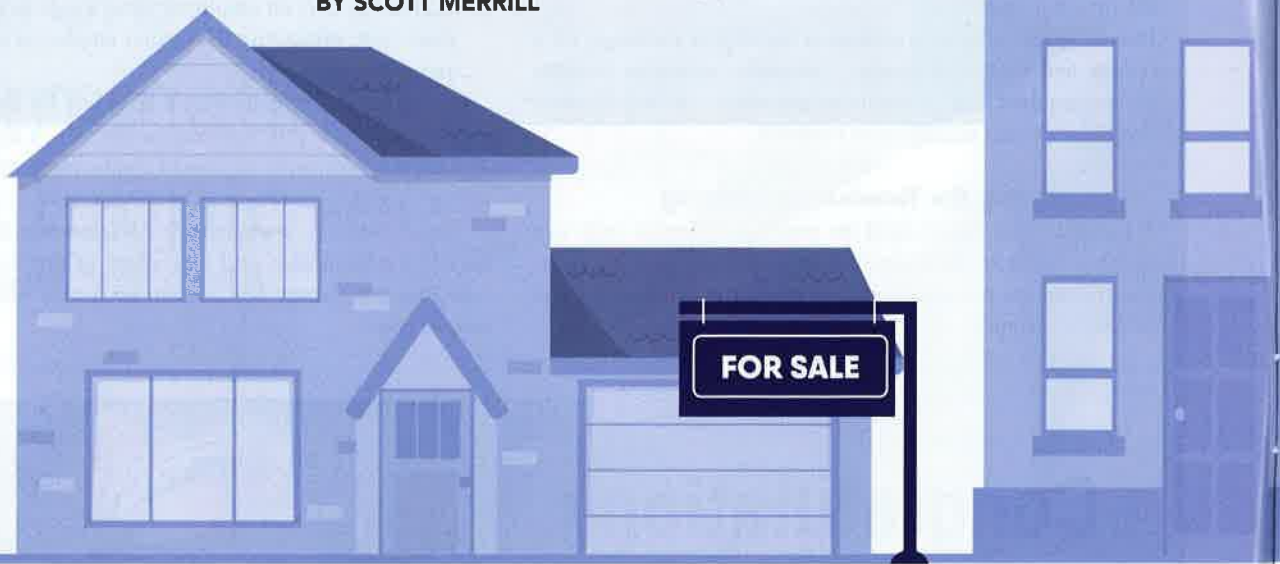


The High Cost of LIVING IN NH

BY SCOTT MERRILL



Depending on who you talk to, assessments of the current housing landscape in NH range from “insufficient” to downright bleak. There simply aren’t enough units of housing currently on the market to meet the state’s needs.

New Hampshire Housing’s Executive Director and CEO Rob Dapice says 23,670 housing units are needed to stabilize the housing market and that by 2040, the state will need nearly 90,000 more units.

At the heart of the state’s housing crisis lies one question, according to NH Housing: How will NH create enough homes to meet the growing and varied needs of the state’s diverse population, whether they rent or own?

To make it clear how much the state needs more homes, Joanie McIntire, president elect of the NH Realtors Association, says the number of homes for sale

on Nov. 30, 2023 was 1,515. “In 2014 we had about 10,000. I don’t think people realize how extreme [this current shortage] really is.”



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In the residential rental market, which NH Housing refers to as a bellwether of NH’s housing market in its 2023 Residential Rental Cost Survey Report, average monthly rent for two-bedroom apartments rose 11.4% between 2022 and 2023 to \$1,764. This means a NH renter would have to earn 137% of the estimated statewide median renter income, or over \$70,600 a year, to be able to afford to rent a two-bedroom apartment. In Grafton County—which includes the college towns of Plymouth and Hanover—a person would need to make \$83,200 to afford a two-bedroom apartment. That becomes a challenge for many when per capita income in the state is \$43,877.

The cost of single-family homes in NH, while slightly down from six months ago, has skyrocketed over the past three years. The NH Association of Realtors (NHAR) reports that the median single-family home sale price in the Granite State was up



11.1% to \$477,000 in October 2023, nearly a 50% increase from June 2020. Condo prices are also up 10.4% from a year ago. New Hampshire had only a 2-month supply of homes in October, meaning if no more homes came on the market the existing stock would be sold in two months. A balanced market, according to the NHAR, requires five to seven months.

In all this domicile darkness, some bright spots can be seen. Emergency rental assistance from the Governor's Office of Emergency Relief and Recovery totaling more than \$302 million has helped keep roofs over people's heads, and cultural shifts to support zoning that would allow more affordable housing seem to be happening—albeit slowly. According to a recent survey by Saint Anselm College, 60% of NH residents believe land use regulations need to change to allow for higher density development. And many affordable and workforce housing projects are underway or on the horizon.

Other bright spots include expedited land-use appeals processes, a recent flattening of home prices, \$100 million dollars provided by the Invest NH program for affordable workforce housing as well as the Housing Champions program, which will bring \$5.25 million to address zoning in 2024-2025.

Overall, the metrics used to define a healthy housing market, however, paint a stark picture. And in the data lie the human costs, which include a 52% increase in homelessness from 2022 to 2023, according to a point-in-time count by the state's Continuums of Care last January. The state's \$15 billion budget for fiscal years 2024-2025 includes \$10 million to address homelessness and housing shelter programs.

NIMBYism is an Albatross for Development

Confronting the housing crisis, which the state has committed itself to doing

NH's Housing Pipeline

While there are proposed housing developments in the pipeline, they just scratch the surface of the need for housing in NH. From January to October 2023 there were 3,994 units of proposed housing in NH, according to the United States Census Bureau which reports building permits by state.

By comparison, Maine had 5,122 permits, Massachusetts 10,550, and Vermont 2,158. Of the total building permits in NH up to October 2023, the majority submitted were for one unit (2,623) and five units or more (1,083).

The Low-Income Housing Tax Credit (LIHTC) program was created by the Tax Reform Act of 1986 and gives state agencies the equivalent of approximately \$9 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation or new construction of rental housing targeted to lower-income households.

According to the Census Bureau's LIHTC database, between 2019 and 2021 there were 17 projects in NH that received LIHTC. During that time, 804 total units were placed in service and 736 of those were low-income units.

InvestNH makes \$60 million available for nonprofit and for-profit developers and/or owners of multifamily rental housing of three or more units per structure that add housing stock that will be used for long-term residential rentals only.

Grants are provided to fill funding gaps that have been caused by inflation, supply-chain constraints and rising interest rates and can be used for costs directly related to construction.

There is a maximum award of \$3 million per eligible project, and at least \$10 million in program funds is designated for projects of 15 units or less being developed by nonprofit developers.

in its three-year strategic plan laid out in 2021, will mean producing more units of affordable housing and finding incentives for developers to invest in building more housing of all types.

Housing experts and developers agree this means confronting the not-in-my-back-yard (NIMBY) mindset and easing zoning regulations around the state. New Hampshire developer Steve Duprey says the state's cultural and political history have led to restrictive zoning laws and NIMBYism. Duprey is the owner of the Duprey Companies, a company that includes four hotels, the Grappone Conference Center, Foxfire Property Management and Facilitate Facilities Services.

Duprey began his career as a lawyer representing developers suing towns and people during the 80s amidst an economic and banking crisis. At that time, he explains, there was a strong anti-growth sentiment, and nearly every new development project ended up in litigation and long appeals.

"I think we're still there to a degree. There's still a huge amount of NIMBYism syndrome," Duprey says, recalling that in 1983, when he wanted to build a 24-unit USDA-backed project that was part of a rural rental housing program in Hopkinton requiring 3 to 4 acres, his proposal was swiftly thwarted. "They saw me coming and openly admitted they changed the zoning from one unit an acre to one and a half or more."

Dapice says two of the biggest challenges for 2024 are increasing the supply of housing and NIMBYism. "People can't find a place they can afford, and there is also the NIMBY mindset, that outdated idea that more density is necessary but a burden on 'my community,'" he says, explaining this happens for a number of reasons that often don't hold water. "People believe there will be a services burden and that more kids will need to be in school. It's not true and it's tragic. There are people who are homeless who can't afford a place to live because people see development as a problem for their community."

Phil Sletten, research director for the NH Fiscal Policy Institute, says the Housing Champions program that provides incentives like infrastructure funds to municipalities that promote the development of workforce housing through land-use regulations and ordinances, is a step toward easing zoning regulations. But over-

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all, he explains, measuring the impact of such programs can be difficult because of the size of the housing problem.

"These programs will probably, in aggregate, help the picture a little bit, but to the extent to which it is able to help the big picture is hard to tell," he says. "Unfortunately, progress is hard to measure because the challenge is so significant."

Being more open to higher density development often doesn't happen until it affects people personally, Dapice says. "When peoples' kids can't find a home, they may change," he says. "But we don't want to wait to make a change until everyone is personally affected."

Part of the solution, Dapice says, is for those people looking for homes to become involved in the planning processes in their towns. "We work closely and help people who can't afford a place to live, but buying a home is harder than it used to be," Dapice says. "People are adjusting their expectations. I heard the following quote recently at a Stay Work Play event. 'New Hampshire is a great place to raise a family and a hard place to start a family.'"

McIntire says the NH Realtors Association is focused on easing zoning laws for more building to take place. "We've tried to support zoning changes to loosen up the zoning ordinances in towns, but as you've probably heard, towns are very reticent to give up any local control," she says. Like Dapice, McIntire believes the most effective change around zoning needs to take



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place at the local level. "People need to be educated on the need for the zoning change. I know what their reticence is, but the lack of inventory is going to hurt us economically, and I don't think people truly realize that."

Duprey says while there is a growing chorus from those who understand the need for change, that change is slow. "It was Mark Twain who said, 'everyone complains about the weather, but nobody does anything about it.' And that's sort of the legislature's approach," he says. "I'm not trying to be critical, but the only way you're ever going to get an even distribution of housing of all types is frankly a little more switch and less carrot."

Duprey is referring to states like Massachusetts that have affordable housing laws requiring communities to build a certain percentage of affordable housing. The law in Massachusetts allows developers to build affordable housing through a streamlined permit process and flexible zoning rules. The process is available to developments that devote at least 20% to 25% of their units to low- and moderate-income families.

McIntire says rather than mandating zoning laws, more education is needed, although she agrees the process for change is slow. She says that some bills are being proposed that would allow building fourplexes on smaller parcels of land where water and sewer are available.

Elissa Margolin, director of Housing Action NH, a statewide organization of 80 organizations and businesses working to improve state and federal policy around housing issues, says zoning must be addressed. “We do need to hold a mirror up to ourselves and ask what kind of New Hampshire we want to be,” she says. “There are challenges around local zoning laws and ordinances that really don’t match the plans that people have for their communities. I think we need reasonableness.”

Addressing the Housing Shortage

One of Housing Action NH’s goals has been to increase affordable housing stock, and Margolin cites a number of “wins” over the past year as signs of progress, including a \$50 million affordable housing package in the last state budget as well as the Housing Champions Program, an Accessory Dwelling Unit Law, and InvestNH, a \$100 million fund created in 2022 with American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds to accelerate the approval and construction of affordable workforce housing (specifically multifamily rental housing) throughout NH.

“We want to make sure we’re addressing the bottlenecks in the system,” Margolin says, referring to improving timelines for planning and zoning boards to have written decisions for projects. “And we need to make sure we continue to fund affordable housing and make resources available for the people who struggle the most in the market.”

Kevin Lacasse, president and CEO of New England Family Housing in New Hampton, says zoning regulations are the biggest obstacle that builders face when

proposing any housing with density. “Every developer in New Hampshire knows there are some communities that don’t want these projects in their ‘backyards,’” says Lacasse, echoing the sentiment of Duprey and others. “Decision-makers in such towns will do what they can to make it costly, burdensome and slow while claiming to permit the minimum of diverse-income housing as required by state law.”



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Lacasse is a partner, along with Metro Walls CEO Mike Dion and Deane Navaroli, principal at William & Reeves Commercial Real Estate, on the Monitor Way project. The project seeks to turn close to 150 acres of land zoned industrial, north of Sewall’s Falls Road in Concord, into a mixed-use community on the banks of the Merrimack River. Most of the land is owned by Newspapers of New England, where the Concord Monitor property is located.

Lacasse says his team are encouraged by their meetings with the city of Concord and believes the project—which would create over 900 units, including 151 units of workforce housing, 327 market-rate apartments alongside commercial space, town homes and stand-alone apartments—is aligned with the city’s vision for development. “That said, municipalities are dealing with a staffing issue, across the board, which inevitably tends to slow down the pace of projects like ours.”

The workforce housing units would be financed through federal low-income housing tax credits (LIHTC) administered by NH Housing (see sidebar). Rents will be based on a percentage of area median



Defining Workforce and Affordable Housing

In 2008, the NH legislature passed a law that requires every community to provide “reasonable and realistic opportunities” for the development of workforce housing in municipal planning.

According to NH law, affordable means housing with combined rental and utility costs or combined mortgage loan debt services, property taxes and required insurance that do not exceed 30% of a household’s gross annual income.

Workforce housing means housing that is intended for sale and is affordable to a household with an income of no more than 100% of the median income for a four-person household for the metropolitan area or county in which the housing is located as published annually by the U.S. Department of Housing and Urban Development. Workforce housing also means rental housing that is affordable to a household with an income of no more than 60% of the median income for a three-person household. Housing developments that exclude minor children from more than 20% of the units, or in which more than 50% of the dwelling units have fewer than two bedrooms, are not considered workforce housing by law.

“Multifamily housing,” for the purpose of workforce housing developments, means a building or structure containing five or more dwelling units, each designed for occupancy by an individual household.



Rendering of the proposed Monitor Way project.

income. Lacasse says other market-rate housing options will be available for sale and for rent. “That not only frees up housing for other people in other income brackets, it also makes a dent in the supply issue that is putting pressure on the aggregate prices,” Lacasse says. “Conversely, building a significant amount of only one type of housing would only segregate certain demographics and create an unhealthy imbalance in the market.”

After the planning and zoning process, rezoning the land and receiving site plan approval from the planning board, Lacasse says the project would be constructed in phases over six to eight years.

“We are exploring all options, including the InvestNH grant program, as well as the Community Development Block Grant program administered by the Community Development Finance Authority,” he says. “We know that rezoning this from industrial use to something more resident- and pedestrian-friendly, which preserves a lot of green space and addresses the housing shortage, is something the city would like to accomplish. That’s all in keeping with the vision set forth in ConcordNEXT, the city’s zoning master plan.”

In Manchester, developers broke ground in November 2023 on a project the city is calling the “single largest investment in affordable housing in Manchester’s history.” Lincoln Avenue Communi-

ties, in partnership with the city and NH Housing, will construct two buildings of affordable housing, one at 351 Chestnut St., and a second at the corner of Chestnut Street and Merrimack Street. The projects will create approximately 142 studio, one- and two-bedroom units, affordable for individuals at 0% to 60% AMI (Area Median Income). Thirty of the 142 new housing units are reserved for veterans, who will receive onsite wrap-around services and case management through the VA Manchester Healthcare System.



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Tradeoffs in a Tight Market

Sletten says the tight housing market has economic implications across the state. With housing costs increasing, people inevitably make fewer purchases on recreation and housing upgrades. And for those that may want to sell their home, high interest rates are making them think twice. This leads to fewer homes on the market for renters who may be in the market to buy a home and contributes to increases in costs overall.

“Each time housing becomes a larger portion of a household’s budget that increased portion is multiplied by all the people in the state for whom that’s the case,” Sletten says. “That means those dollars are no longer flowing into other parts of the state economy. And this may affect a person’s ability to plan for the future, and it affects retirement ages. Things like this sort of trickle down.”

There are just over 200,000 people between the ages of 55 and 64 in NH, Sletten says, and many of them will be leaving the workforce within the next decade and may want to live in a different home. “In a state of 1.4 million people, [200,000] is a lot of people who might be asking if they want to live in their current home,” he says, adding that with deaths exceeding births, the state is reliant on migration. “This makes housing availability that much more key to the state’s economy.” ■