



MEETING THE CHALLENGE OF AFFORDABLE HOUSING

NH Municipal Association



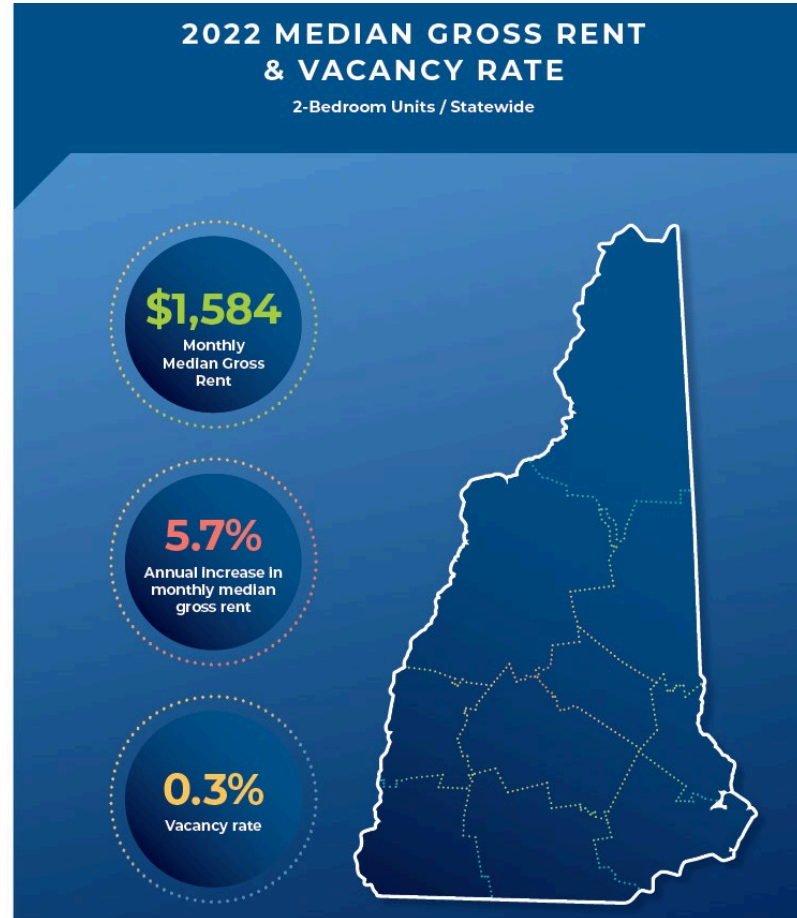
November 2022

NHHousing.org

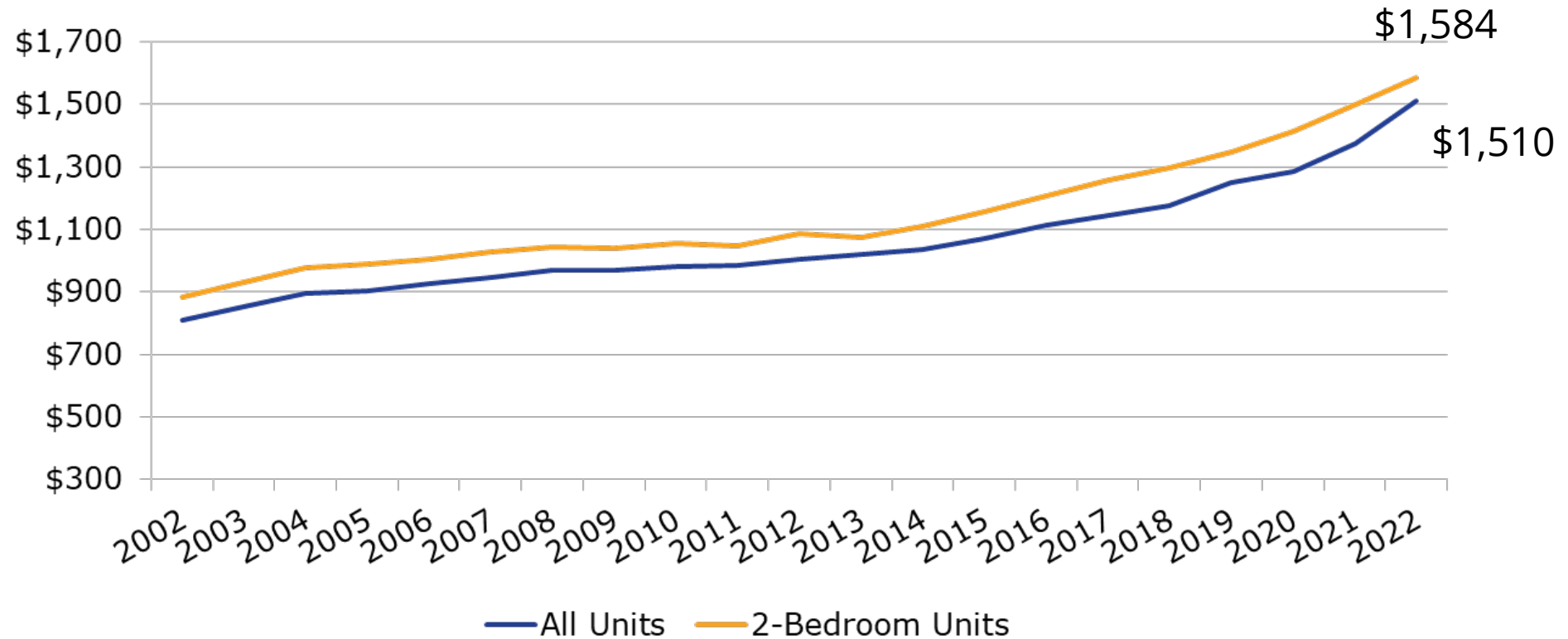
A LOOK AT THE CURRENT HOUSING MARKET

- Rental Market Overview
 - *(More data coming soon)*
- The 5 “L”s
- Tools Available to Communities
- Housing Opportunity Planning (HOP) Grants

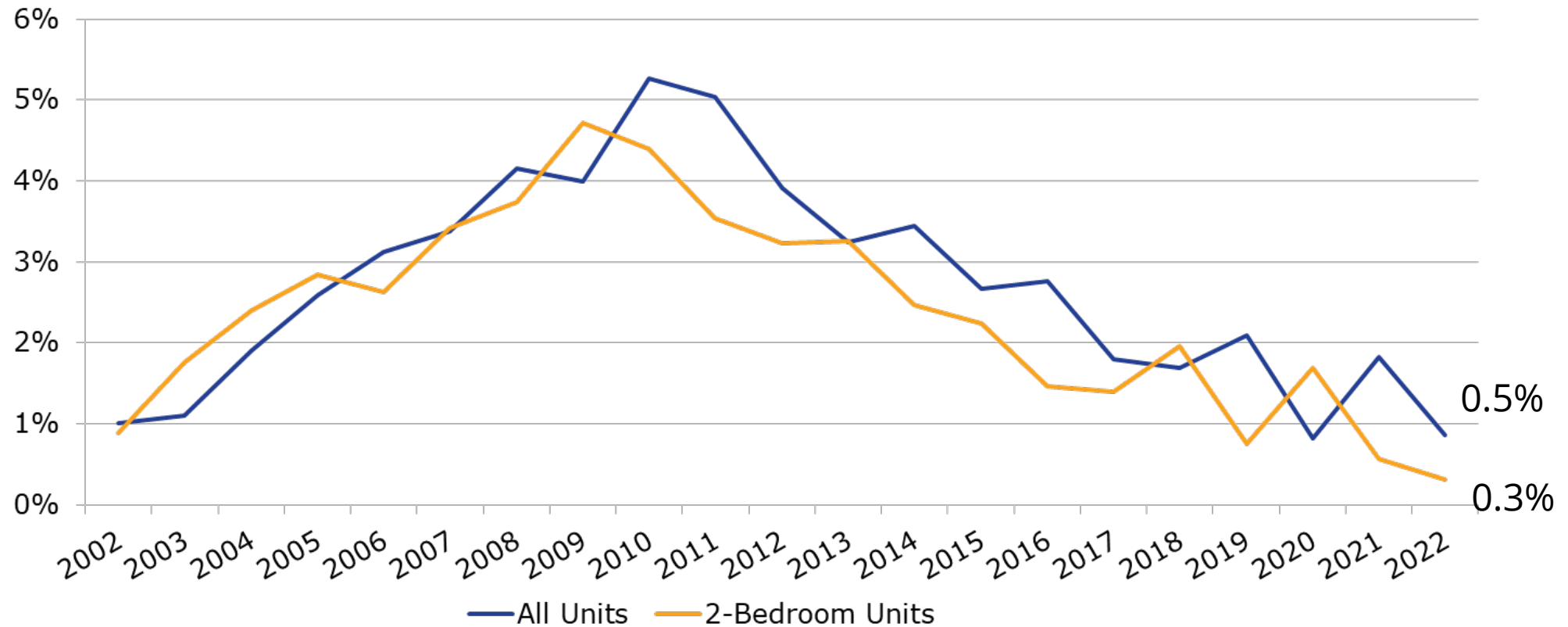
2022 RESIDENTIAL RENTAL COST SURVEY



MEDIAN GROSS RENTAL COST



VACANCY RATE



MEDIAN MONTHLY GROSS RENT & PERCENT CHANGE

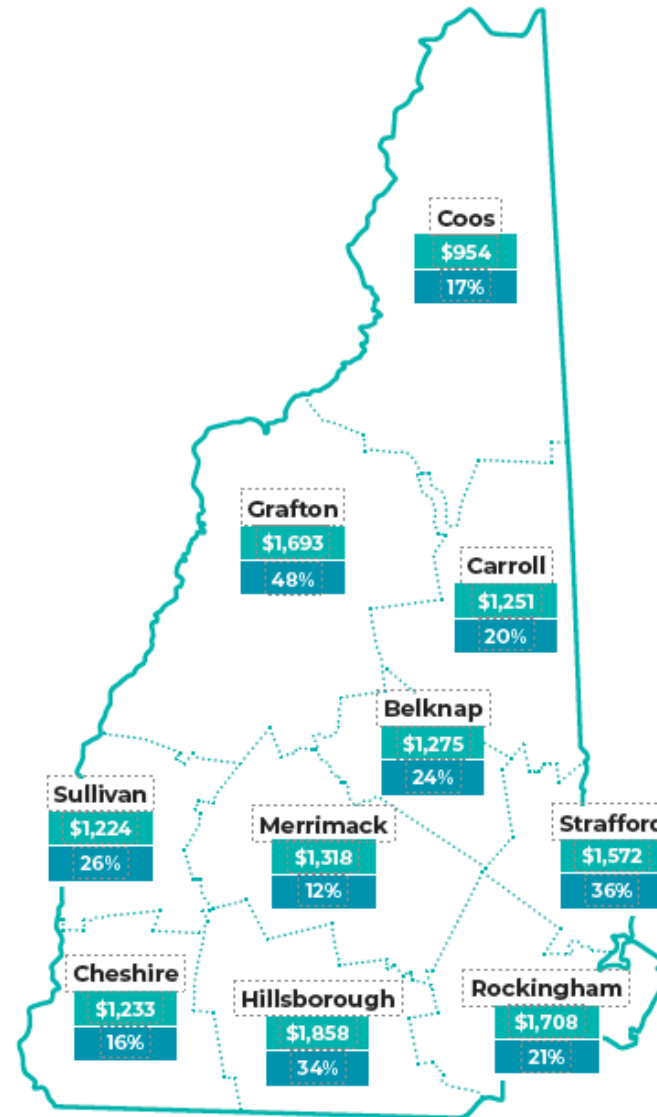
2022, 2-bedroom units



**Median Monthly
Gross Rental Cost**
2-Bedroom Units, 2022



**Percent Change
Median Gross Rent**
2-Bedroom Units
2017-2022



HOW DID WE GET HERE?

- **Economic conditions & influences**
 - Supply, demand, insufficient inventory
 - At least 20,000 new units needed
- **Mismatch of housing stock for a changing demographic & economy**
 - Demand for similar types of housing (older & younger)
 - What are the housing options we have now?
 - What do current and future residents of the region need?
 - What do we allow?
- **Local resistance to housing development**



LUMBER
Development costs



LABOR
Workforce
availability



LAND
Finite, but intensity
of use is variable



LOANS
Financing



LAWS
Regulatory practices

RESOURCES

- Housing Commissions
- Developing Employer-Assisted Housing
- Housing Solutions for New Hampshire
- Meeting the Workforce Housing Challenge
- Accessory Dwelling Units in NH: A Guide for Municipalities
- How Do We Talk About Housing?
- Forthcoming: Municipal Guide to RSA 79-E

HOUSING OPPORTUNITY PLANNING (HOP) GRANTS

- Part of Governor Sununu's \$100 million InvestNH initiative
- Over \$2 million for NH municipalities
- No match required
- Funding to work with a consultant on phases of regulatory change
- Municipalities may do a competitive process or use a list of pre-approved consultants (including all RPCs)
- Full information at www.NHHOPgrants.org
- Send questions to info@NHHOPgrants.org

HOUSING OPPORTUNITY PLANNING (HOP) GRANTS

- Needs analysis and planning – up to \$25,000
 - Housing and demographic data, housing markets, affordability
 - Master plan sections related to housing
 - Open until January 27, 2023
- Regulatory audits – up to \$50,000
 - ID regulatory barriers to housing development, recommend changes
 - Cross-reference local regulations for conflicts regarding housing
 - Open until June 30, 2023
- Regulatory development – up to \$100,000
 - Create or amend regulations to promote housing development
 - Inclusionary zoning, development standards, tax incentives
 - Open until November 15, 2023

HOUSING OPPORTUNITY PLANNING (HOP) GRANTS

- Communities may apply for more than one phase at a time, but should have a good idea of what they would like to accomplish
- Grant seekers are encouraged to talk with us about their proposal before applying
- Applications accepted on a rolling basis and will be awarded within 30 days

HOUSING ACADEMY

- Community engagement is a key part of this work
 - Plan does not need to be fully developed when applying, but
 - Budget must include at least \$2,500 for community engagement activities
- Training for municipalities that receive funding
- Each grantee will identify at least one person and may identify up to three participants
- In-person, virtual, and place-based training with online resources
- Interactive sessions
- Stipends of \$250 per participant (volunteers only, not paid staff) will be approved as allowable direct expenses

PROGRAM ADMINISTRATION

- Programs will be administered by Plan NH
- Plan NH is providing support to applicants
- Steering committee will make decisions on applications
 - NH Housing
 - Plan NH
 - UNH Cooperative Extension
 - NH Office of Planning & Development
 - NH Community Development Finance Authority
 - NH Municipal Association

IN SEARCH OF EUTOPIA

- APPROPRIATE ZONING
- AVAILABILITY OF UTILITIES
- PHYSICAL SITE CONSTRAINTS
- ACCESS TO EMPLOYMENT, SHOPPING, & SERVICES
- DEMOGRAPHICS AND APPROPRIATE DEMAND
- ABUTTERS AND LOCAL SUPPORT
- \$\$\$

SERVING MORE THAN ONE MASTER

REGULATORY AGENCIES

- Federal
 - *Various Statutes, Regulations, and Executive Orders required to comply with federal funding programs.*
- State
 - *DES*
 - Alteration of Terrain Permits
 - Wetlands
- Local
 - *Zoning Board*
 - *Planning Board*
 - *Conservation Commission*
 - *Code Enforcement*

SERVING MORE THAN ONE MASTER

FINANCING PARTNERS

- Permanent Debt Lender
- Equity Investor
 - *Negotiating the Partnership Agreement.*
- Housing Finance Authority
 - *Competing for the LIHTC and other sources of Capital Subsidy.*
- Other Funding Partners
 - FHLBB
 - CDFA

LIHTC OVERVIEW

- The LIHTC Program is currently the single largest source of federal capital subsidy to create and preserve affordable rental housing.
- The program was added to Section 42 of the Internal Revenue Code (IRC §42) in 1986.
- Under IRC §42, the Internal Revenue Service allocates LIHTCs to states on a per-capita basis.
- States designate an agency to allocate LIHTCs using competitive criteria established in accordance with IRC §42.
- The State of New Hampshire has designated NH Housing as the LIHTC allocating agency to allocate LIHTCs.
- NH Housing promulgates a Qualified Allocation Plan (QAP) to establish the criteria and process for the allocation of LIHTCs in New Hampshire.

LIHTC OVERVIEW

- The program is an incentive for:
 - ❑ Developers to build and manage affordable rental housing; and
 - ❑ Investors to provide equity for this affordable housing.
- LIHTCs are upfront capital subsidy, not ongoing operating or rental assistance.

LIHTC OVERVIEW

- Why are LIHTCs needed?
 - ❑ The resident income restrictions and rent restrictions reduce the allowed rents.
 - ❑ This reduces cash flow.
 - ❑ This reduces the property's ability to borrow funds to finance the housing.
- Solution: Finance with equity=less debt=more affordable rents.
- BUT: Even with up to 70% of costs covered by LIHTC equity, projects still need other capital subsidies and, at times, project-based vouchers (PBVs) to work and to serve lower-income residents.
- Capital subsidies and PBVs will be covered in another training.

LIHTC OVERVIEW

- Affordability Requirements
- Minimum set-asides: Rent and Occupancy
 - ❑ 20% of units must be both rent restricted and occupied by households whose income is 50% or less of the AMI; or
 - ❑ 40% of units must be both rent restricted and occupied by households whose income is 60% or less of the AMI; or
 - ❑ Average Income Set-aside (average of affordable units are 60% of the AMI or less)
- Most 9% NH Housing projects are 100% affordable

QUALIFIED ALLOCATION PLAN (aka “THE QAP”)

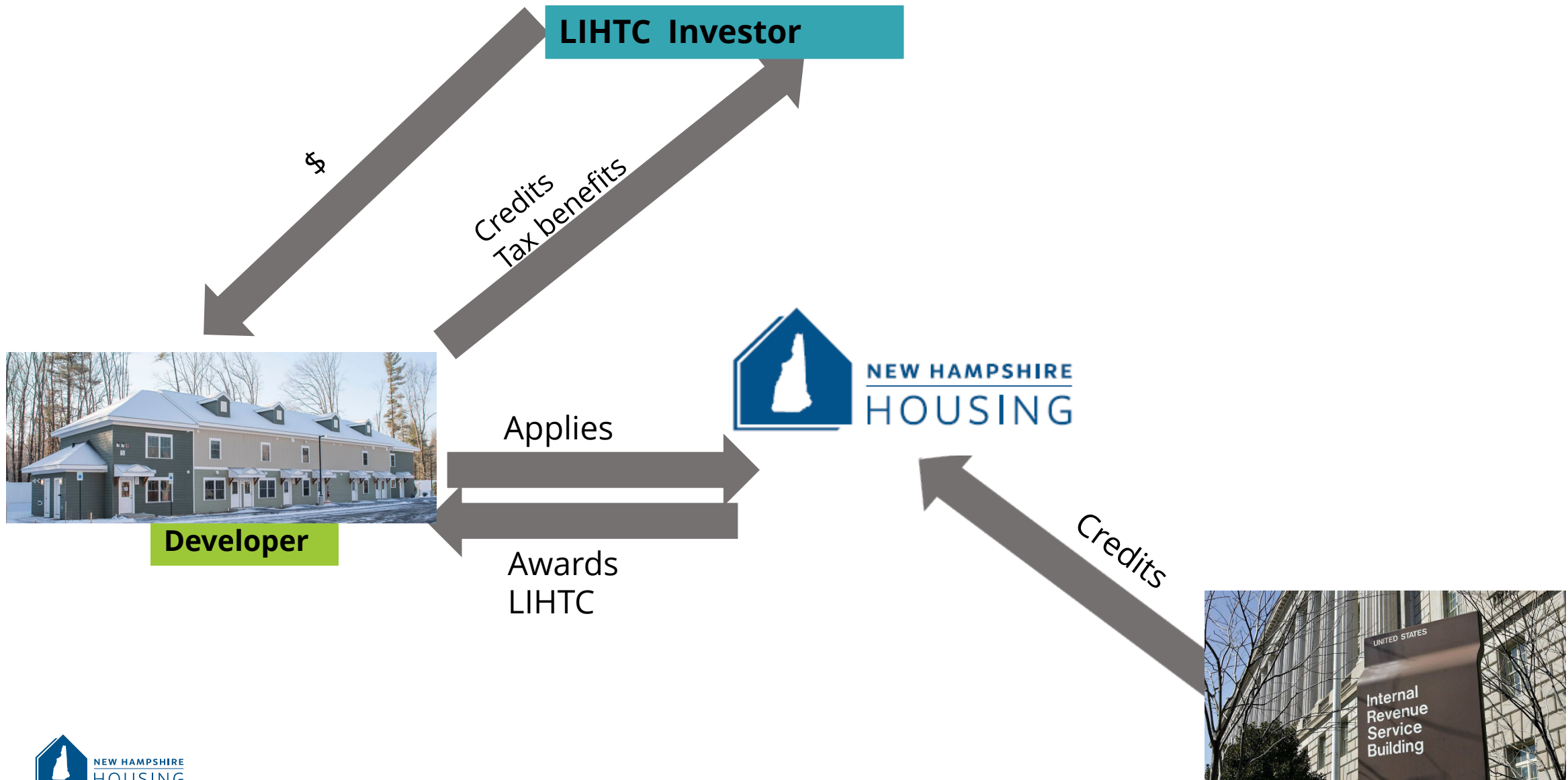
- The QAP spells out the rules and process for allocating LIHTCs.
- The key: project scoring.
- Following IRS requirements, each state develops its QAP through a public process.
- The QAP must be:
 - ❑ Approved by the NH Housing Board of Directors; and
 - ❑ Signed by the Governor.
- Note: LIHTC projects must also comply with other NH Housing policies, including policies on design, construction, underwriting and asset management.

LIHTC ALLOCATION TO NEW HAMPSHIRE

- \$3,650,000 allocated credit
- X .88 credit price
- X 10 years credit

\$32,212,000 approximate total equity

THE FLOW OF FUNDS AND TAX BENEFITS



PROJECT OWNERSHIP STRUCTURE

- Owner (“pass through entity”)
 - ❑ Limited Partnership; or
 - ❑ Limited Liability Corporation
- General Partner/Developer (0.01%)
 - ❑ Nonprofit
 - ❑ For profit
 - ❑ Manages the property day-to-day
- Limited Partner (99.99%)
 - ❑ Provides equity
 - ❑ Not involved in day-to-day management
 - ❑ Oversees compliance

LIHTC INVESTORS - EQUITY PROVIDERS

- Investors “buy” the credits for the following reasons:
 - ❑ The credits—a dollar-for-dollar tax reduction over ten years.
 - ❑ The passive losses generated by the property, e.g., depreciation.
 - ❑ The Community Reinvestment Act (CRA) benefits (investment test).
 - ❑ The community relations and partner support benefits.

EQUITY “PRICE”

The “price” paid by the investor (investment per dollar of LIHTC) is not fixed; it is negotiated.

- Equity price varies based:
 - ❑ Financial markets;
 - ❑ Tax codes;
 - ❑ Project’s location (really CRA);
 - ❑ Size of investment;
 - ❑ Timing of equity pay in; and
 - ❑ Deal terms.

RESEARCH | PLANNING | ADVOCACY

- Housing Studies and Reports
- Technical Assistance and Grants
- InvestNH Municipal Planning & Zoning Grants
- Local and State Level Advocacy
- Housing Conferences and Webinars
- Resources



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NEW HAMPSHIRE
HOUSING