

***CTAP Planning Conference
December 2, 2006***

***Center of New Hampshire
Radisson Hotel, Manchester, NH***

Housing Problems: The Big Picture



New Hampshire Housing

New Hampshire Housing Background

- ◆ Established by State Legislature under RSA 204-C
- ◆ Independent self sustaining authority – not a state agency
- ◆ Mission
 - To help create housing which is affordable to low and moderate income people
 - Continuum of services from rental assistance for very low income households to home ownership programs for low to moderate income households
- ◆ New Hampshire Housing does not oversee local housing authorities



New Hampshire Housing Programs

◆ Home Ownership

- Single Family Mortgages
- 1,300 -1500 loans / year: \$150 -200 Million / year

◆ Multi-Family Housing Development

- 500+ units financed / year

◆ Tenant Assistance / Supportive Services

- 3,000+ units of Tenant Based rental assistance
- 5,000+ units of Project Based rental assistance

◆ Housing Research / Planning / Technical Assistance



Part I

What's Going On Out There?

Housing Trends



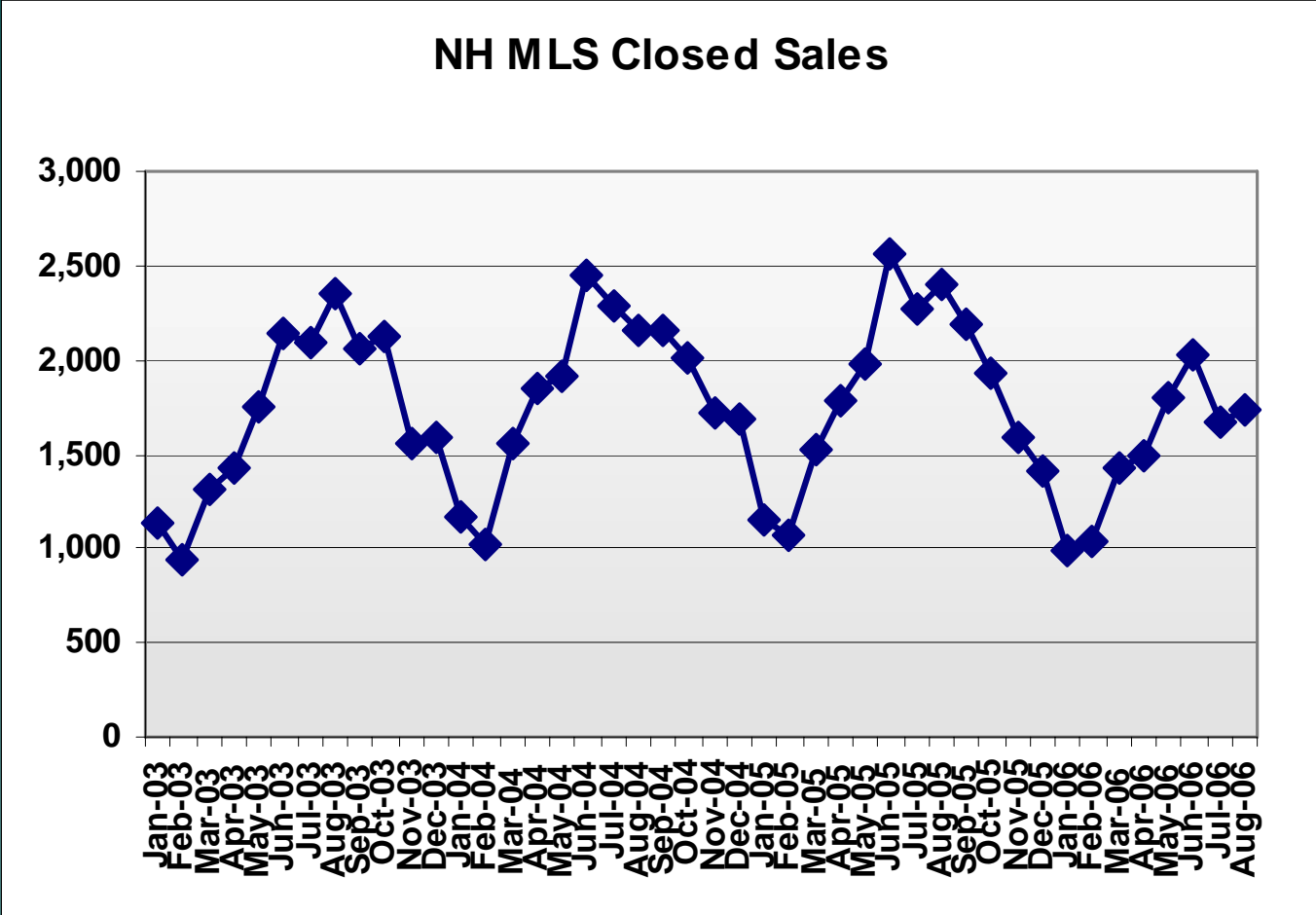
Is the Sky Really Falling ?



Or, is this a market adjustment ?

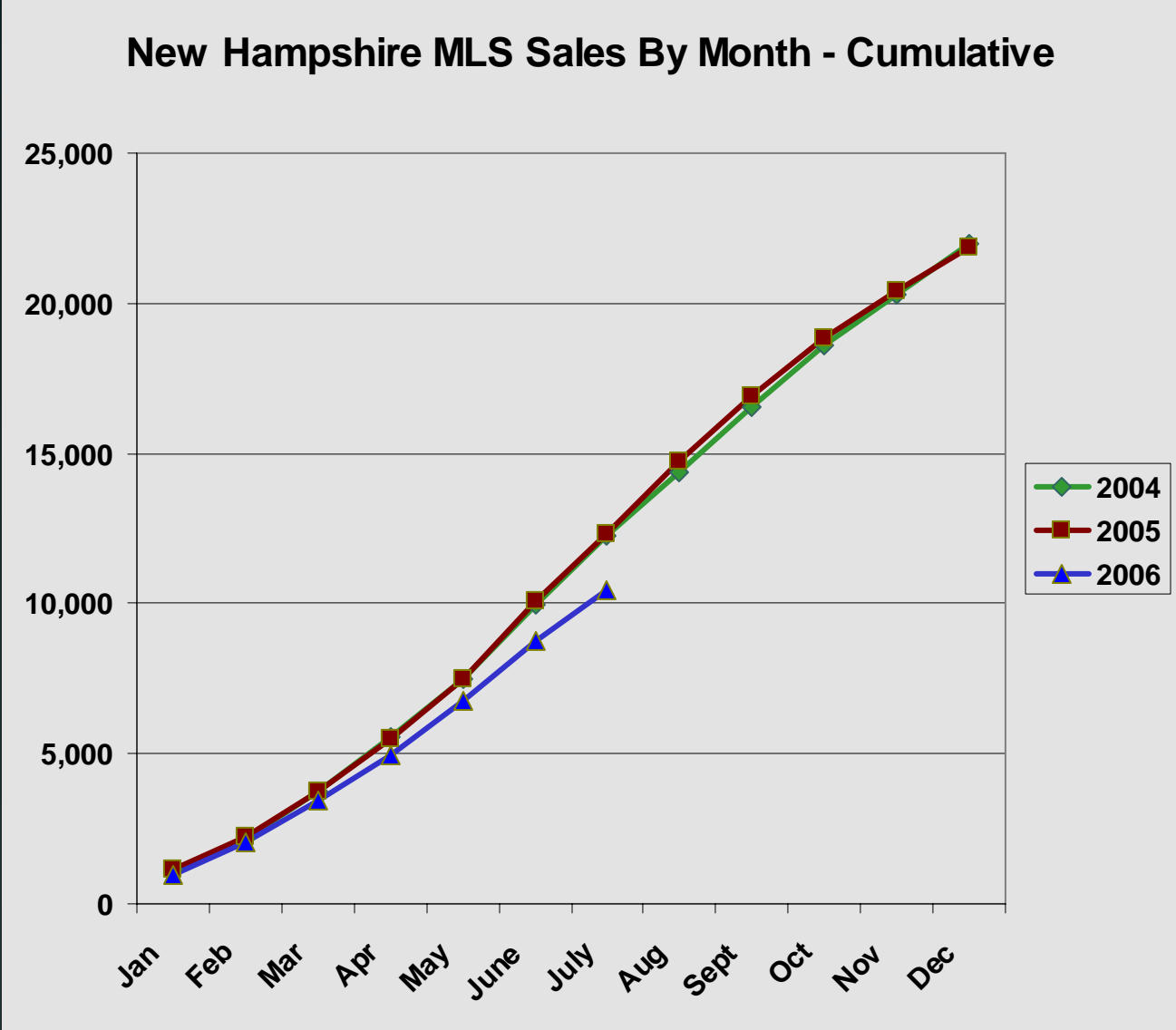


Residential real estate sales are down



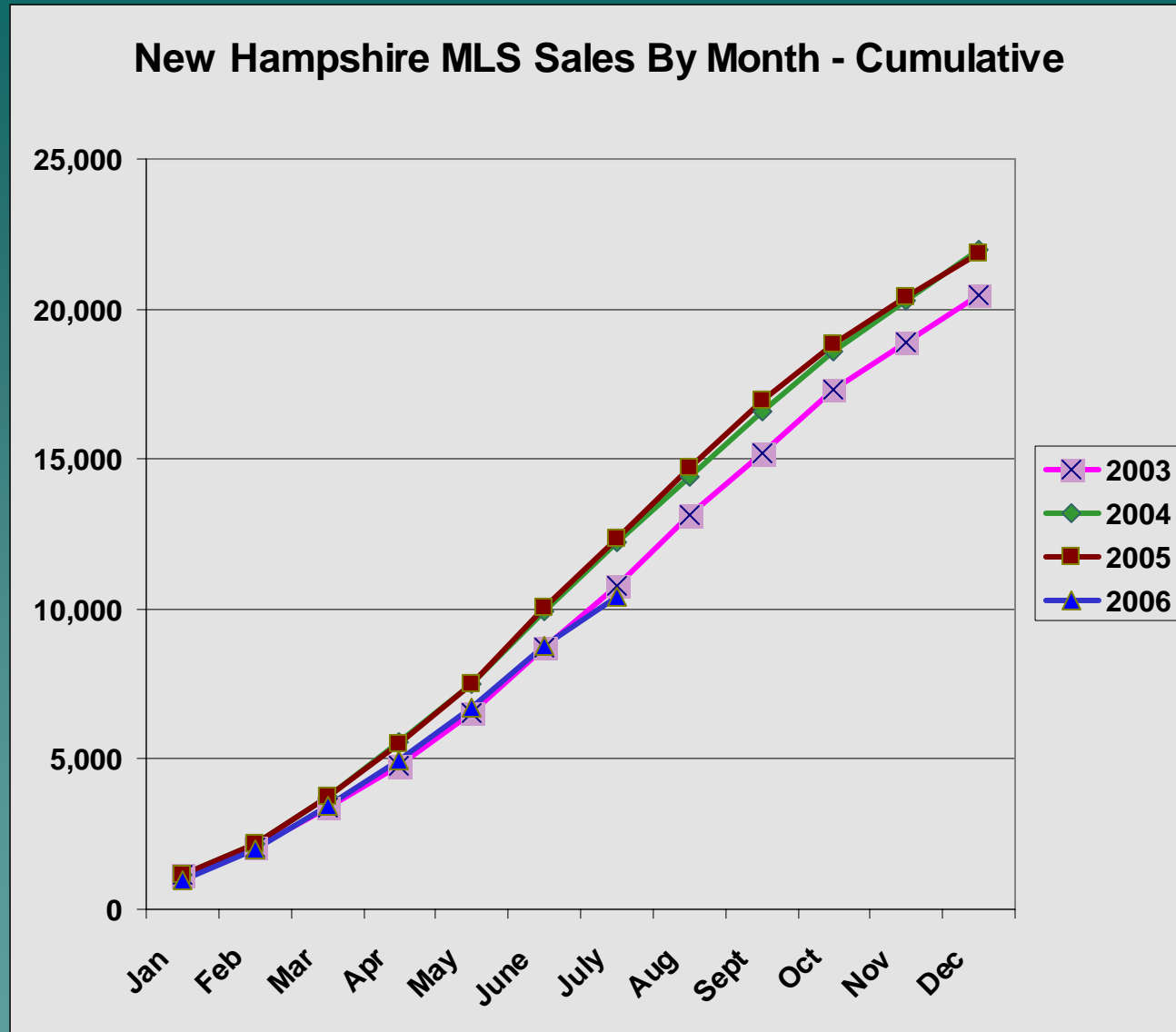
Based on information from the Northern New England Real Estate Network for towns in New Hampshire

The pace of sales in the first 7 months of 2006 is down by 15%



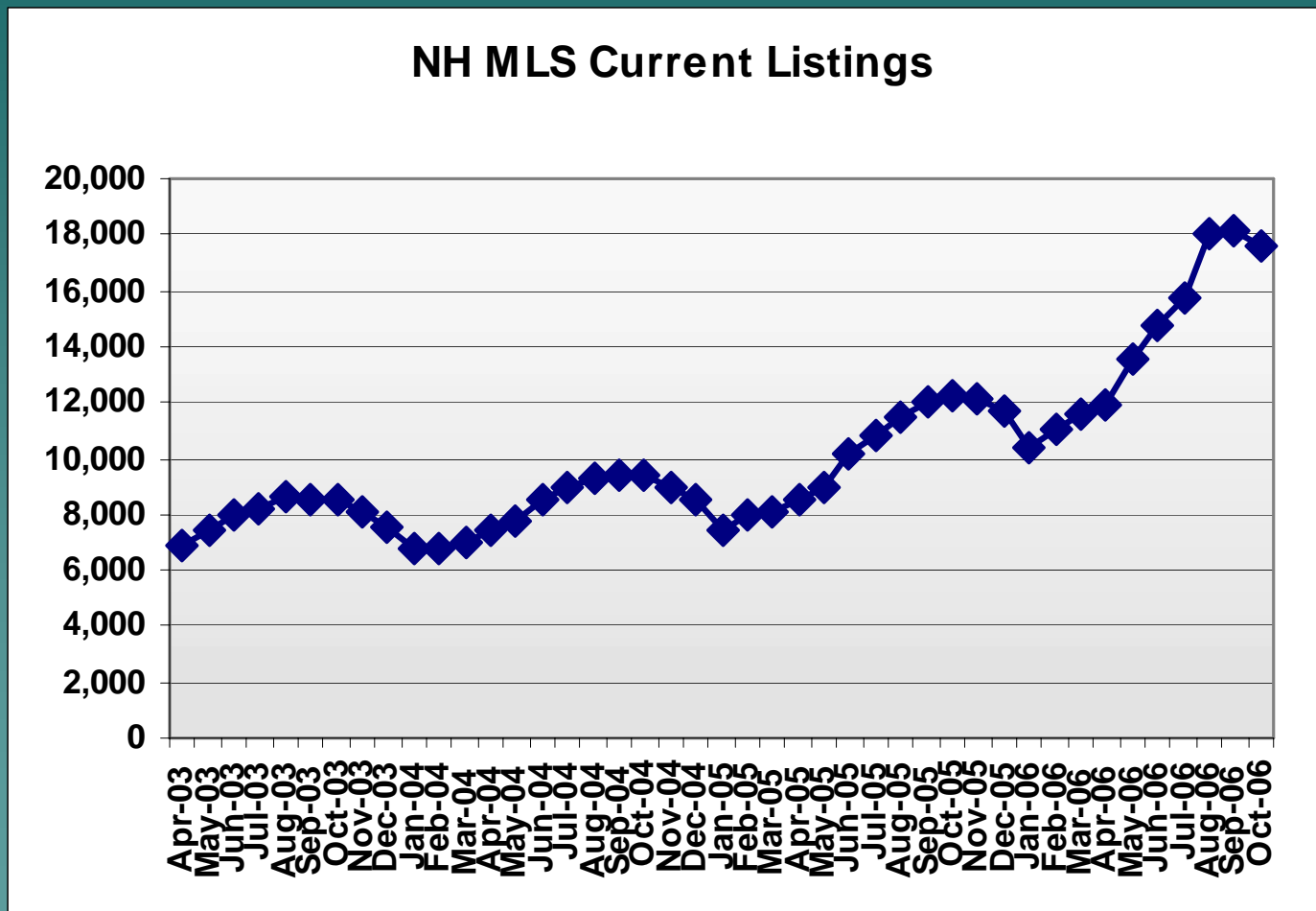
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But 2006 is not significantly below the sales pace in 2003



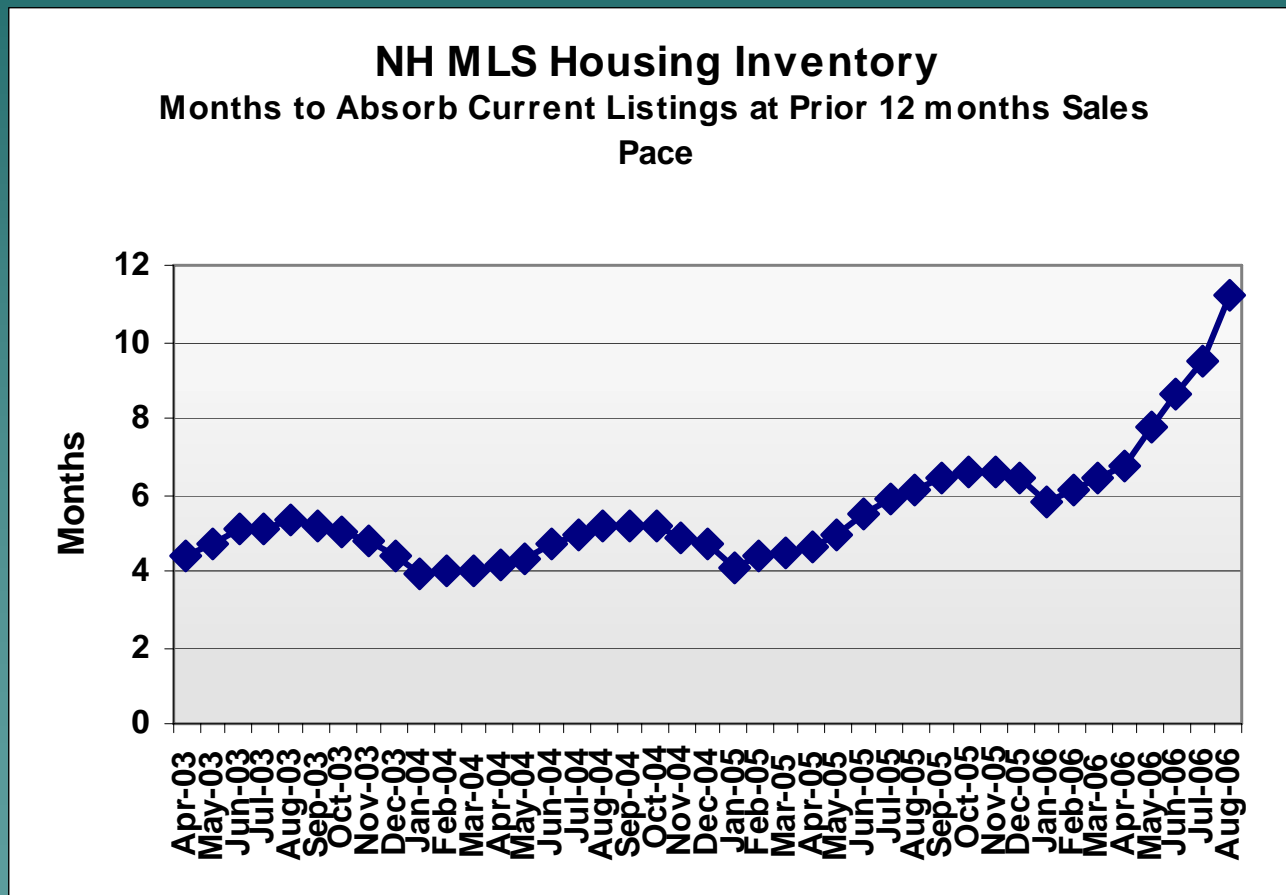
Based on information from the Northern New England Real Estate Network for towns in New Hampshire

Listings for residential property are at an all time high



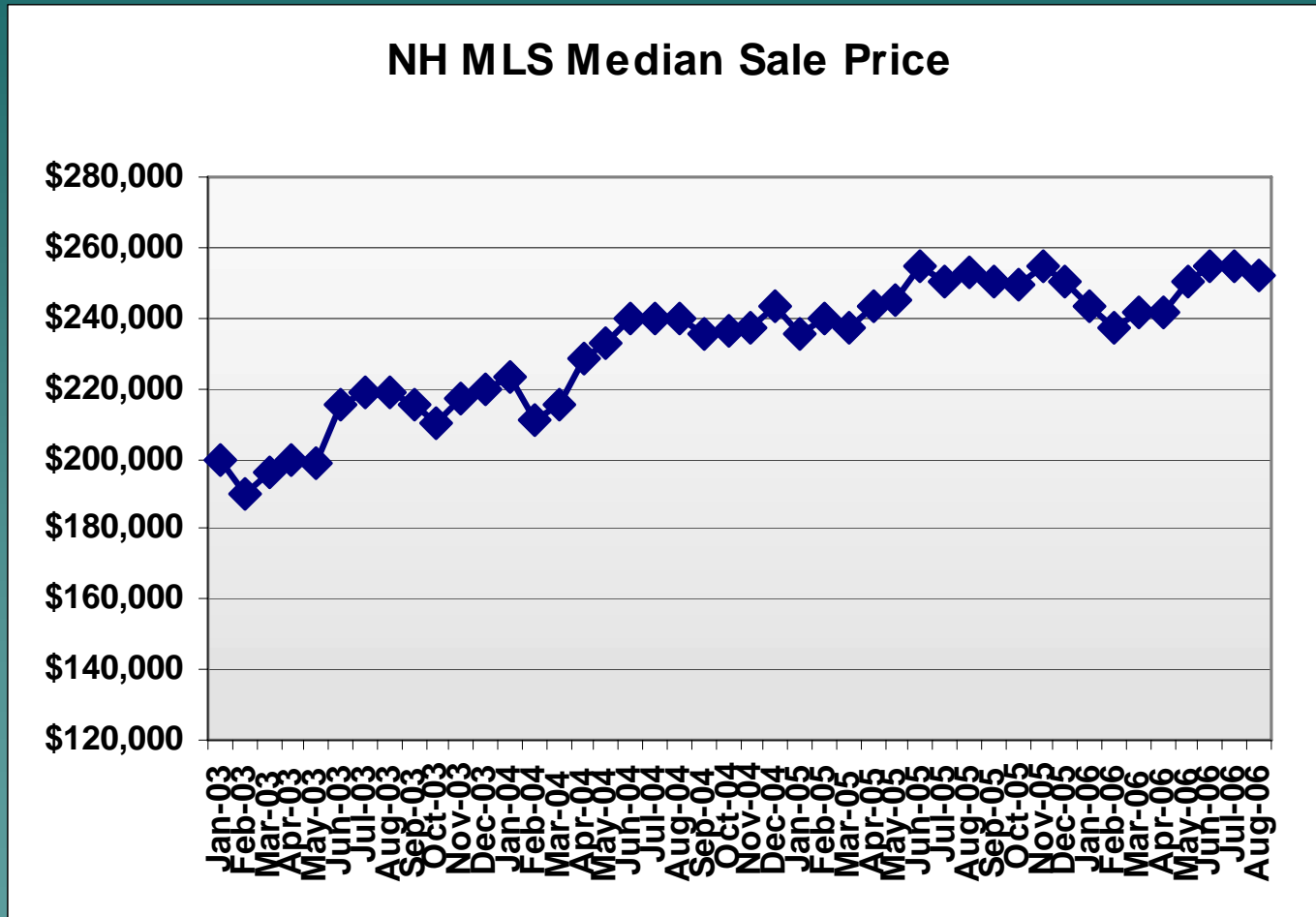
Based on information from the Northern New England Real Estate Network for towns in New Hampshire

Declining sales pace and a significant increase in listings means an increase in available inventory



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

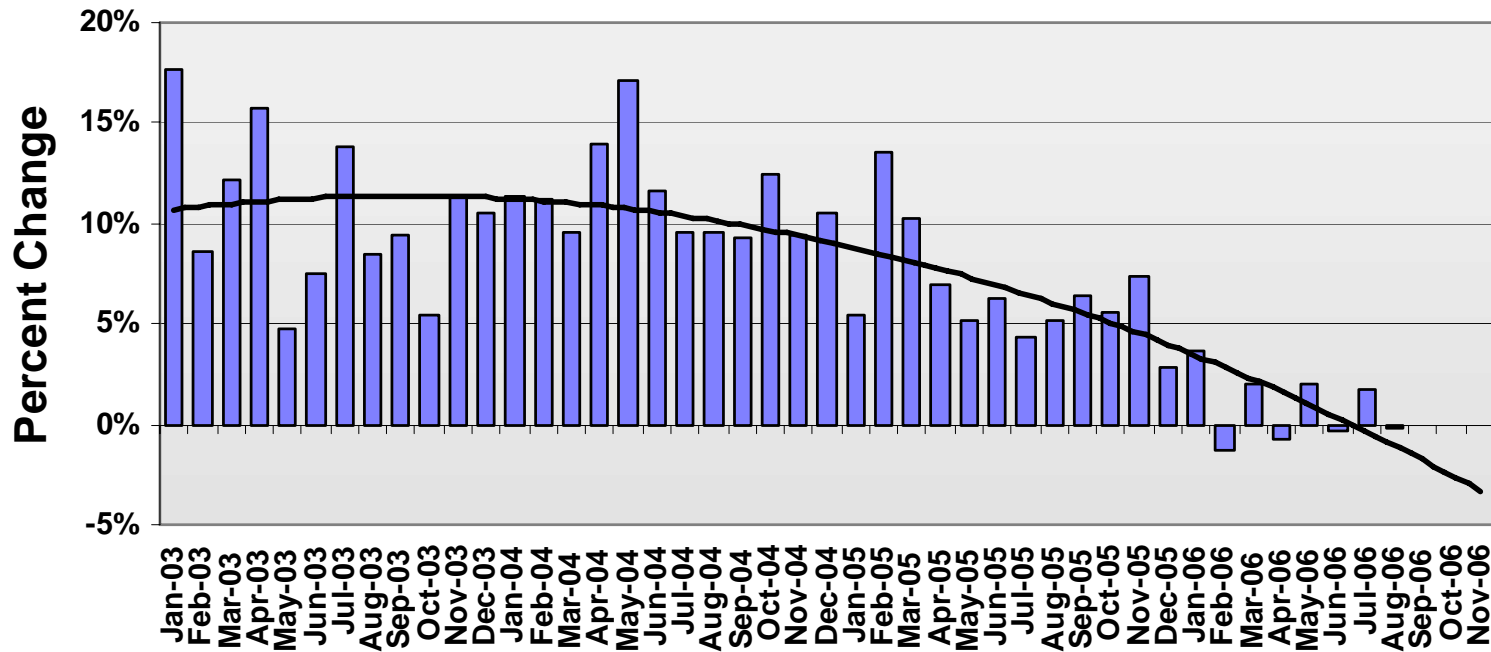
But has the increase in inventory resulted in a decline in median price ?



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

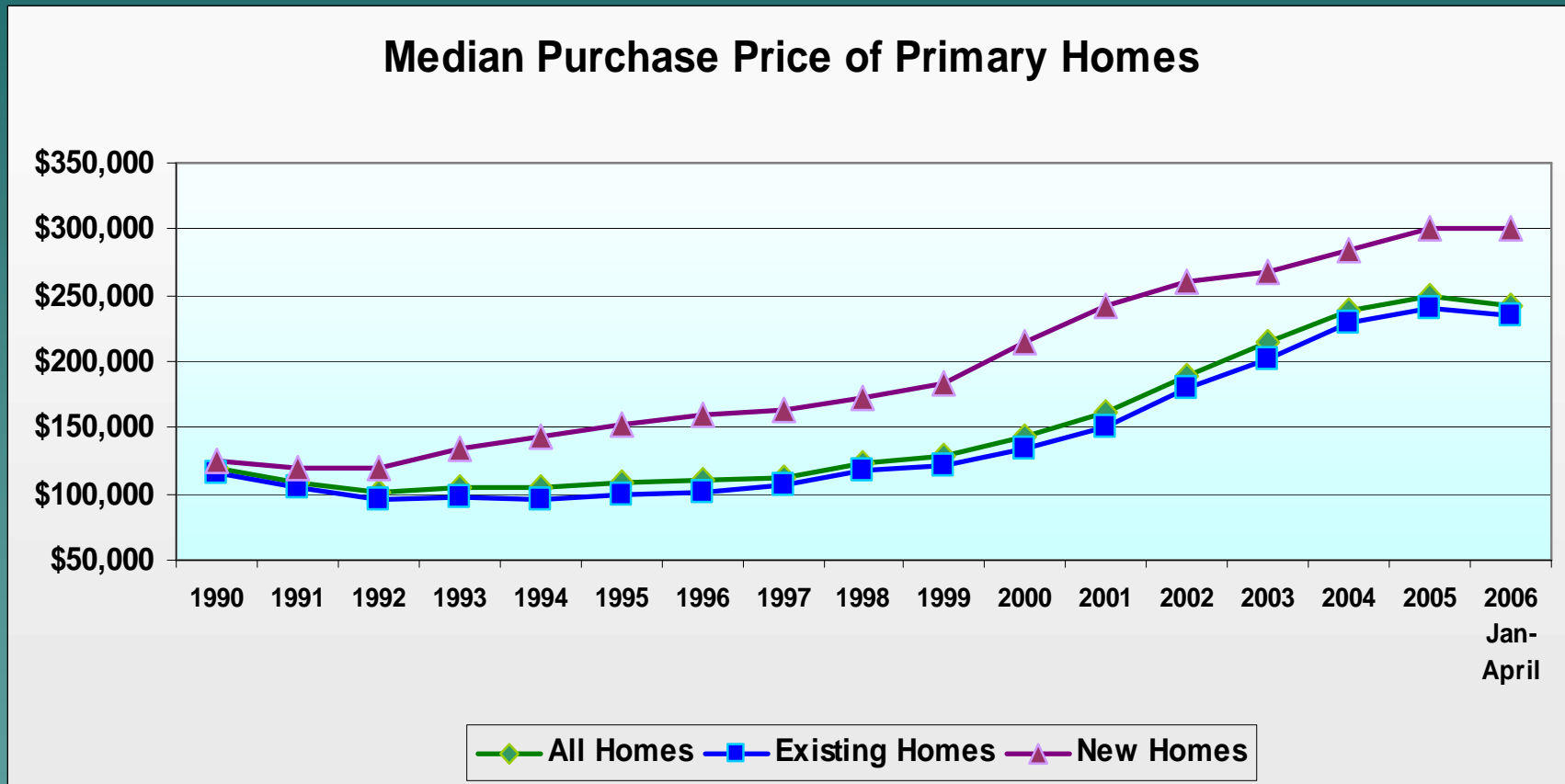
The year over year percent change in median monthly MLS Sale Price is down in 4 of the past 7 months; trend and projection suggests the market will become negative before the end of the year

Year Over Year Percent Change in Monthly Median MLS Sale Price - All Units



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

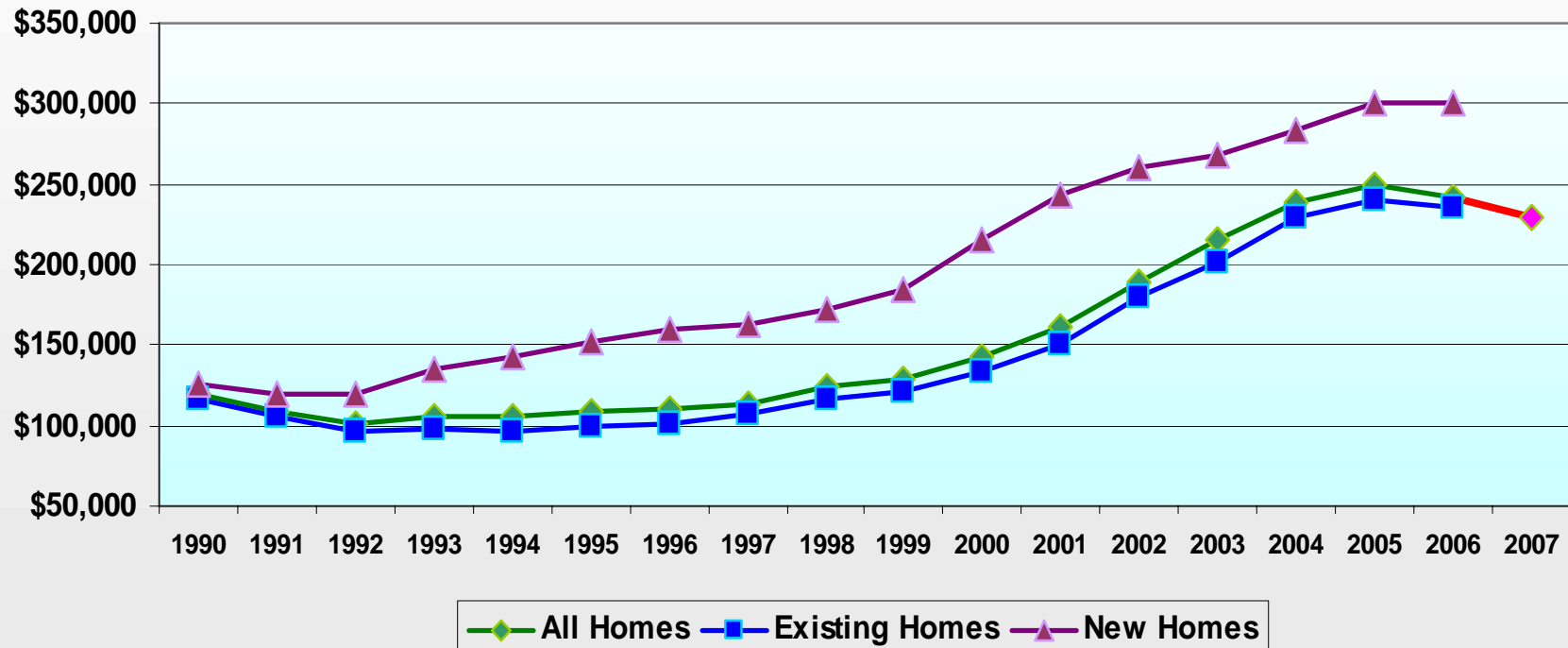
Where would a 5 to 10 percent decline in median purchase price leave the market?



Source: NHHFA Purchase Price Market Data

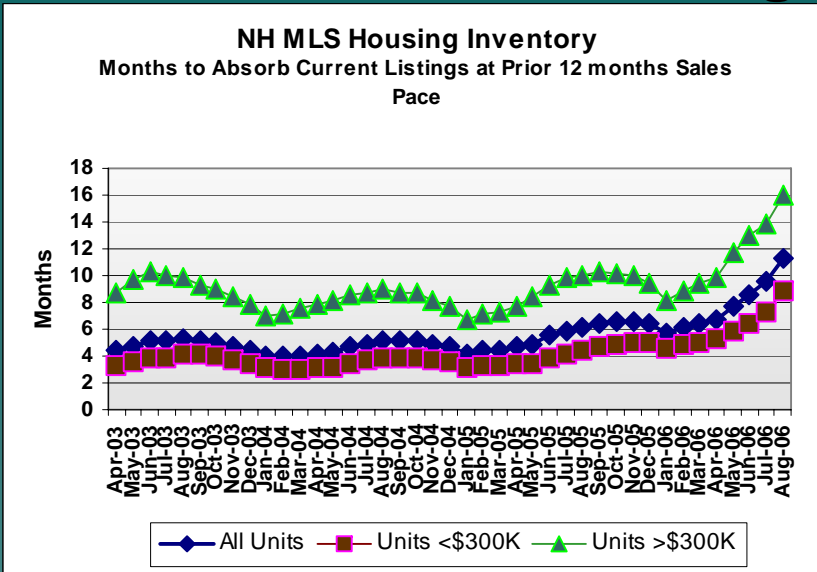
An 8 percent decline in median purchase price would leave the market about where it was during the period 2003 – 2004; a “market correction” for most

Median Purchase Price of Primary Homes



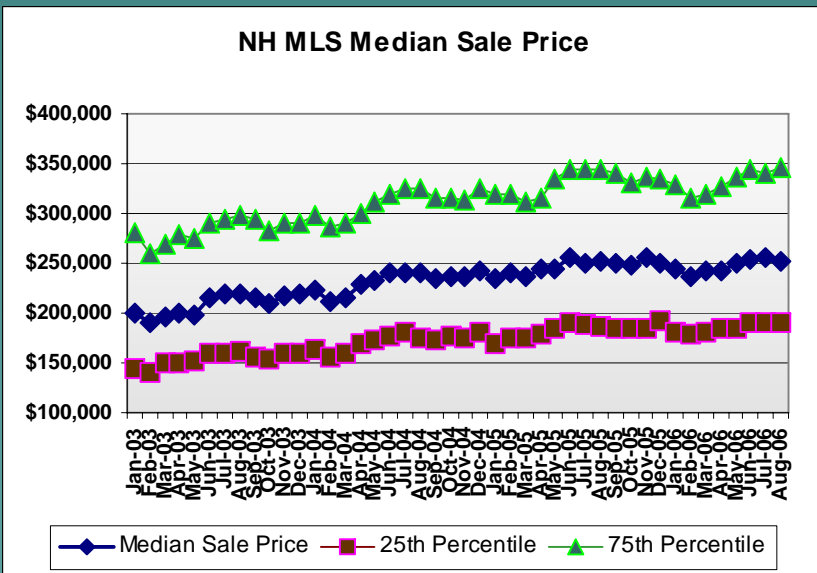
Source: NHHFA Purchase Price Market Data

The market can be segregated by price range



The inventory of housing above \$300,000 is almost twice that of housing units below \$300,000.

This puts greater pressure on the upper end of the market to reduce prices.



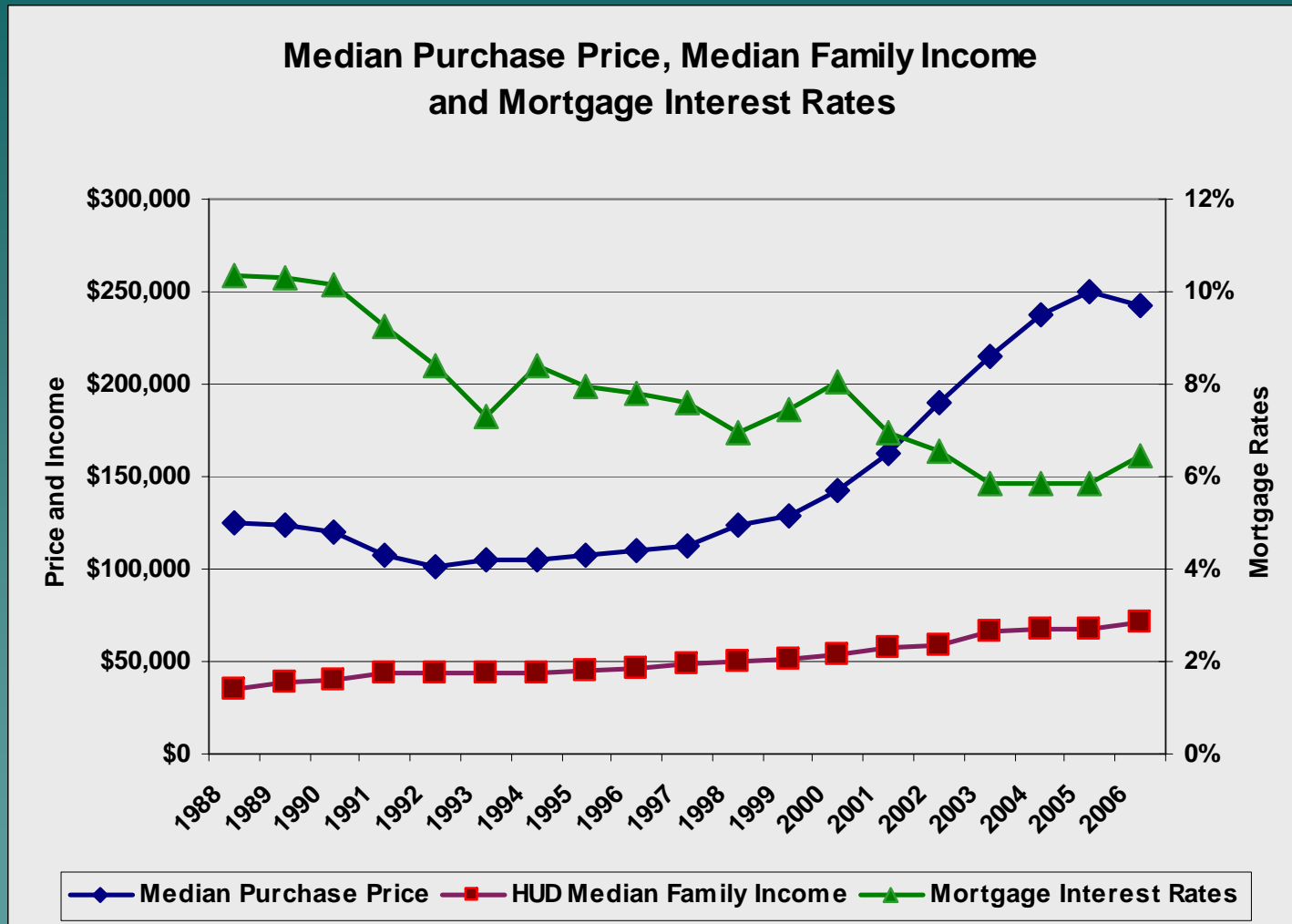
The logical result should be a more significant compression of sales prices at the top of the market. However, sales data does not reflect this trend, yet.

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



Housing Affordability

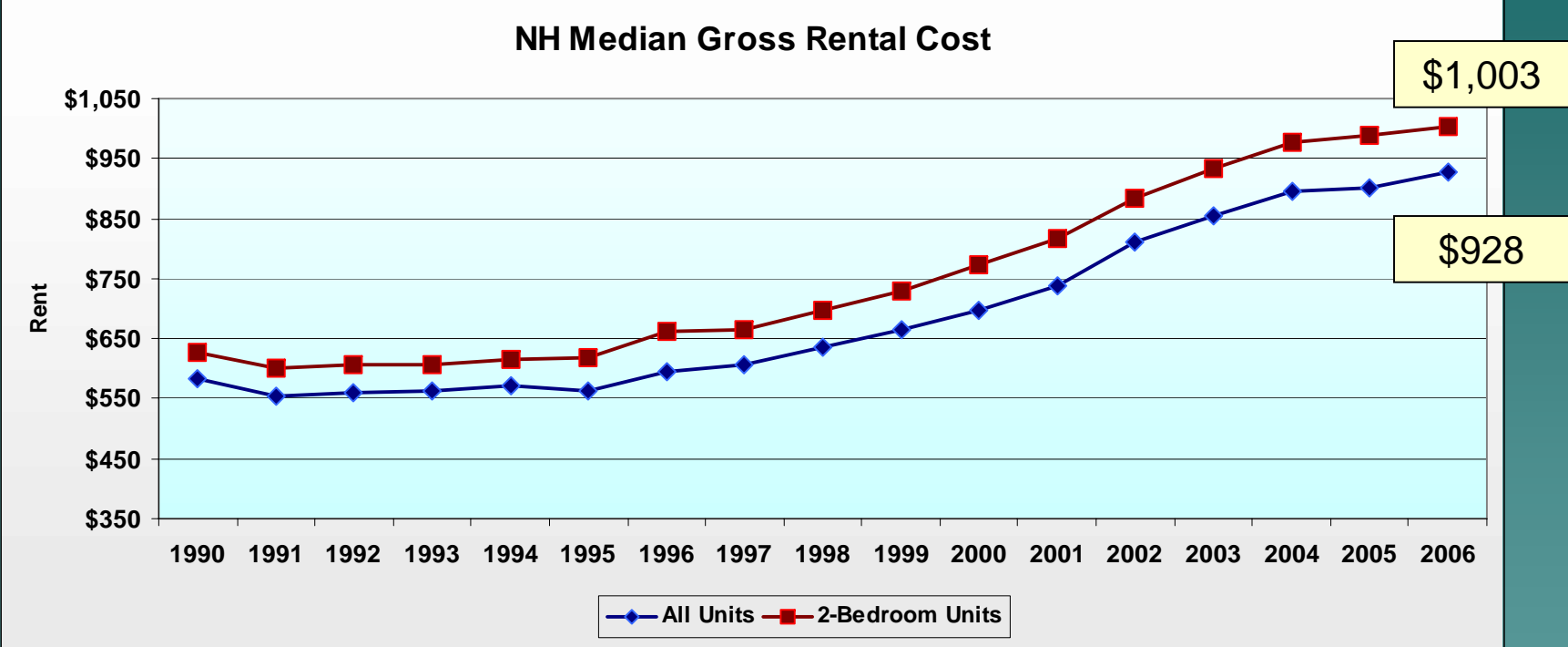
Prices have outpaced household incomes



Sources: Median Purchase Price - NHHFA Purchase Price Database, Mortgage Interest Rates - Freddie Mac Survey
 Income - HUD Statewide Median Family Income for NH 2006 are preliminary numbers

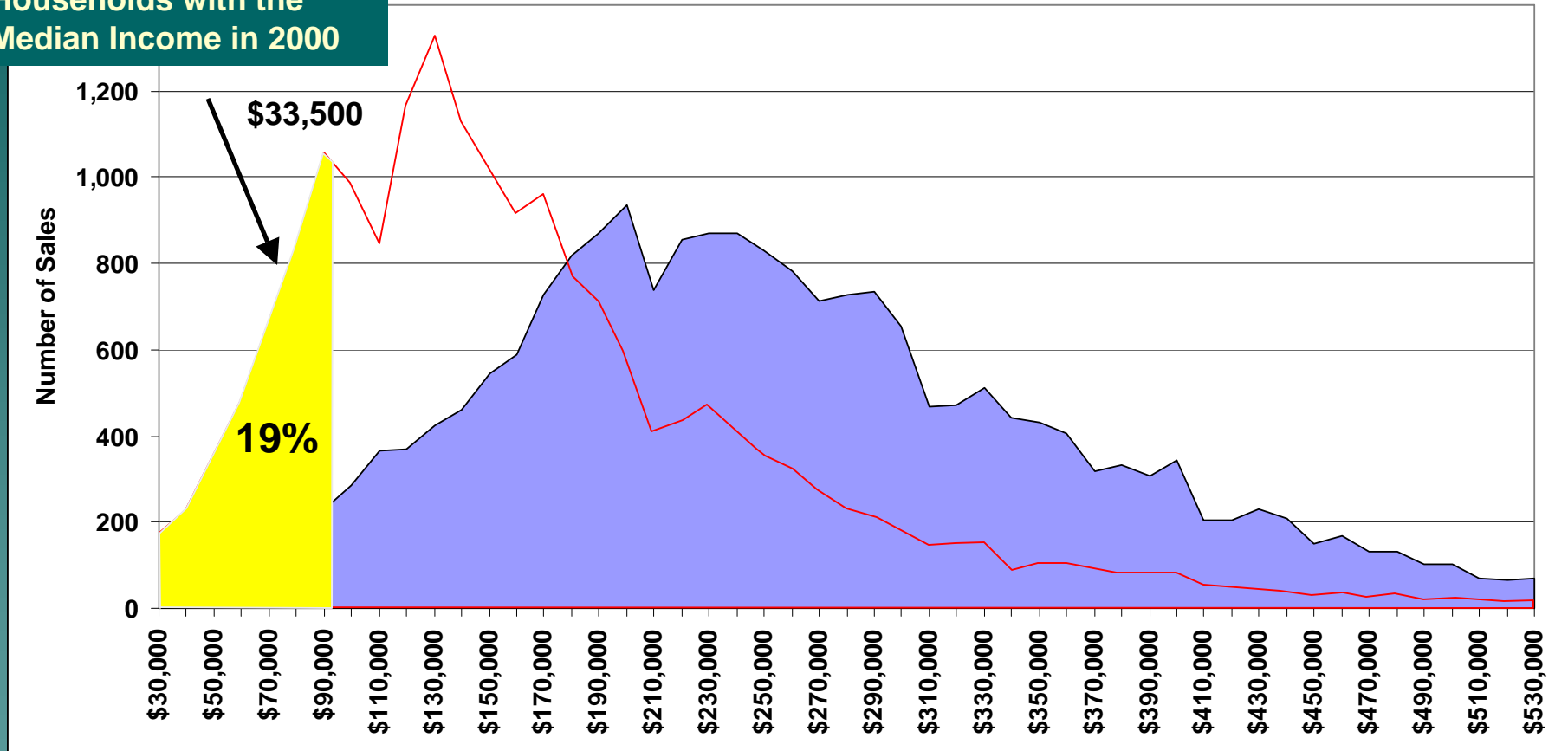


But what about rentals?



Frequency of 2005 MLS Solds, Statewide, All Units

Units Available to Renter Households with the Median Income in 2000



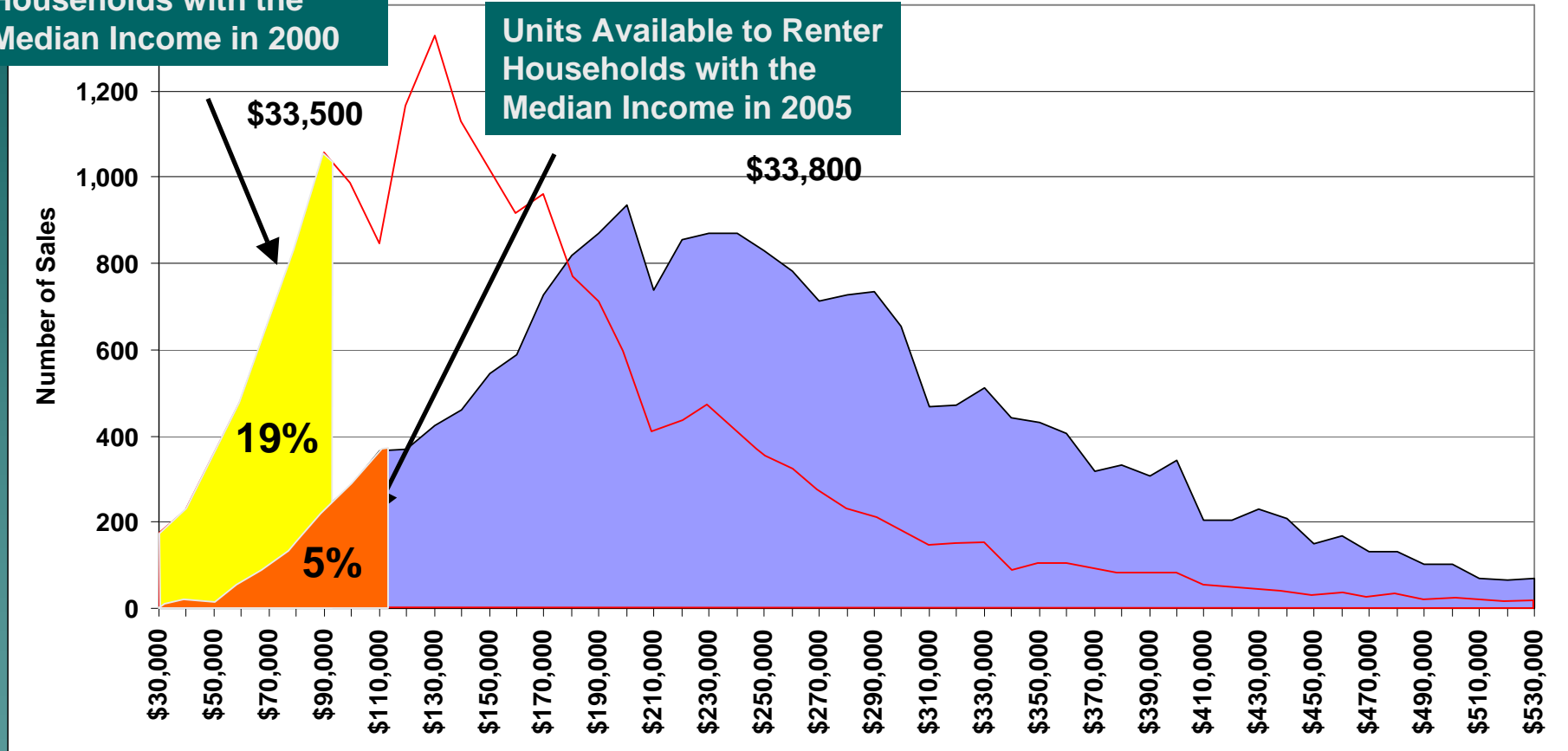
Median Household Income for Renters increased by only
\$300 to \$33,800



Frequency of 2005 MLS Solds, Statewide, All Units

Units Available to Renter Households with the Median Income in 2000

Units Available to Renter Households with the Median Income in 2005



Median Household Income for Renters

increased by only \$300 to \$33,800



Part II

What Does It All Mean?

Implications of Affordability Problems



What's the Big Deal?

- ◆ Why should we care about affordability if the market is available for high end construction?
- ◆ Why should we care about affordability if the new houses will only be filled with kids (and our taxes will go up!)?

Perhaps it's time to "reappraise" the conventional wisdom of the impact of housing development on our schools.



The Backdrop for Housing Growth Concerns...

- ◆ Education typically represents 2/3 of local spending.
- ◆ Conventional wisdom suggests that housing growth leads to school overcrowding

The
All-American
Family



...and Their Costly Results

- ◆ Growth Control Measures
 - Can prohibit projects by delaying completion and increasing the cost of capital
- ◆ Zoning and Planning Requirements
 - Can increase the “all in” cost of each lot
- ◆ Impact Fees
 - Can increase the “all in” cost of each lot
- ◆ Regulatory Process Delays
 - Increase the cost of development capital
- ◆ NIMBY (concern about “affordable” housing)
 - Can block a project by use of process



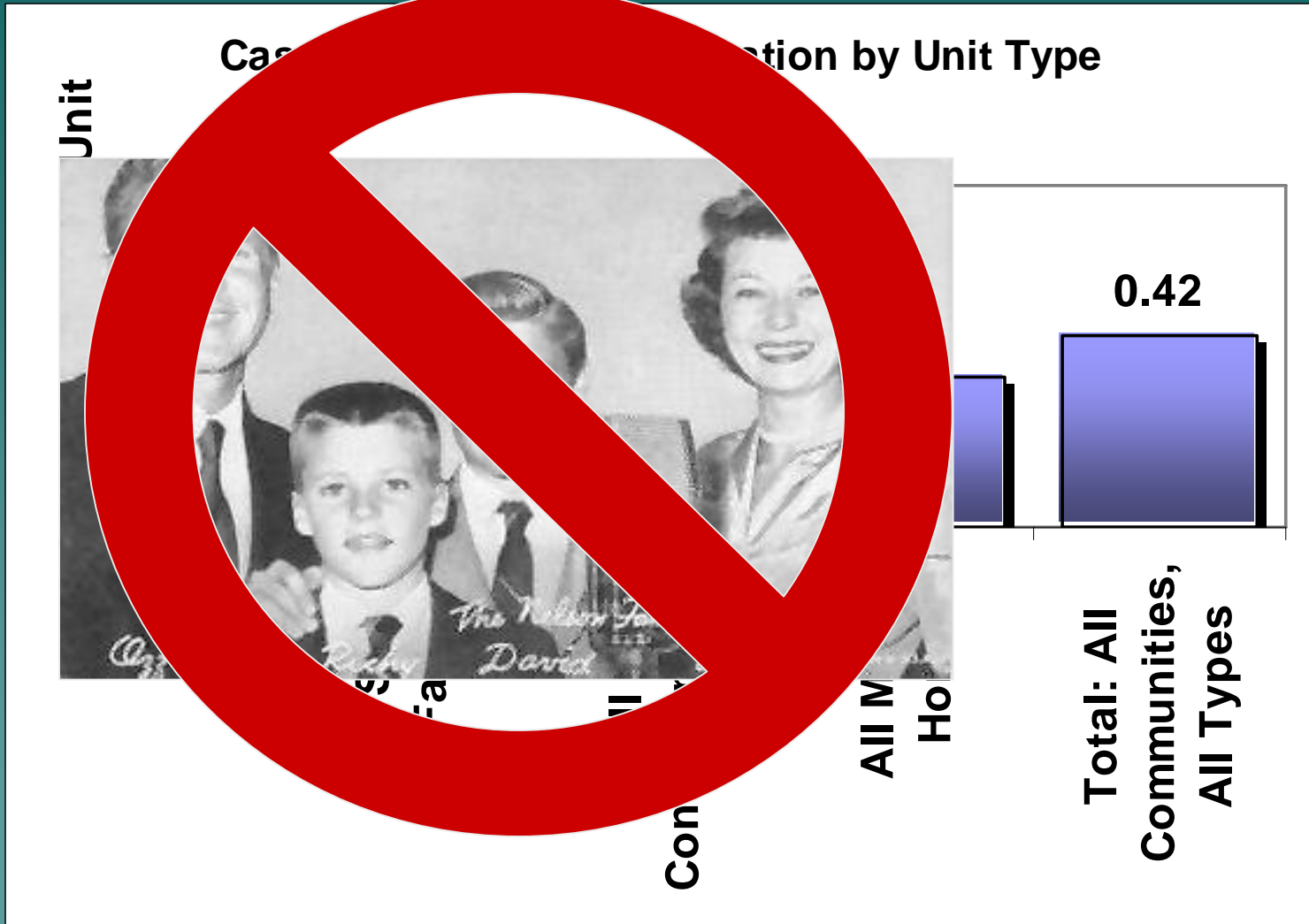
Reality Check: Student Generation by New Units

The Thibeault Study

- ◆ Case Studies
 - Bedford, suburban in metropolitan setting
 - Hudson, southern NH bedroom community
 - Lebanon, small city not in metro area
 - Rochester, larger city with diversity of new housing types
- ◆ Identify new units built in those communities (between 1998 – 2004)
- ◆ Count the public school enrollees living in those units (match enrollment addresses)



Survey of 3,400 New Units



Human and Social Impacts of a Constrained Housing Supply

- ◆ Less housing choice
- ◆ Overpayment for shelter
- ◆ Doubling up / Substandard units
- ◆ More demand on public subsidies
- ◆ Displacement
- ◆ Shift in the character of the homeless (more working families)
- ◆ Longer commutes / Child care costs
- ◆ Less community participation



Economic Impact of a Constrained Housing Supply

The Shapiro Study

<i>Indicator</i>	<i>Range (million \$ 2004)</i>
Personal Income	\$57 - \$121
Gross State Product	\$110 - \$253
Residential Investment	\$27 - \$128
Other Investment	\$14 - \$43
Sales	\$158 - \$412
State and Local Tax Revenues	\$21 - \$33

The Bottom Line: Jobs Lost
1,300 – 2,800 annually



Employer Impacts of a Constrained Housing Supply

- ◆ Higher Absenteeism
- ◆ Difficulty in Recruiting
- ◆ Lower Retention Rate
 - Increased Training Costs
- ◆ Upward Pressure on Wages
- ◆ Reduced morale and productivity



Part III

Policy Implications

What Should We Do About It?



Overall NH Housing Policy

◆ RSA 672:1

- III-e. All citizens of the state benefit from a balanced supply of housing which is affordable to persons and families of low and moderate income. Establishment of housing which is decent, safe, sanitary and affordable to low and moderate income persons and families is in the best interests of each community and the state of New Hampshire, and serves a vital public need. ***Opportunity for development of such housing, including so-called cluster development and the development of multi-family structures, should not be prohibited or discouraged by use of municipal planning and zoning powers or by unreasonable interpretation of such powers***



Inclusionary Zoning

- ◆ 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
- ◆ Should municipalities be allowed to mandate inclusionary zoning?



Inclusionary Zoning

- ◆ Should municipalities be allowed to mandate inclusionary zoning?
 - Without standards, municipalities might impose inclusionary requirements that cannot be met economically by a developer
 - SB 95 (2003) would have allowed for mandatory inclusionary zoning requirements; in various iterations of the bill, standards were provided (e.g., no more than 20% of a development could be required to be "affordable")



SB 190 (2006)

- ◆ Attempted to codify *Britton v. Chester (1991)*
- ◆ Defined “reasonable and realistic opportunities”
- ◆ Defined “workforce housing”
- ◆ Provided for “the builder’s remedy”
- ◆ Provided an accelerated appeal mechanism
- ◆ Changed the “should not” in RSA 672:1,III(e) to “shall not”
- ◆ Ultimately, the bill was converted into (another) study committee

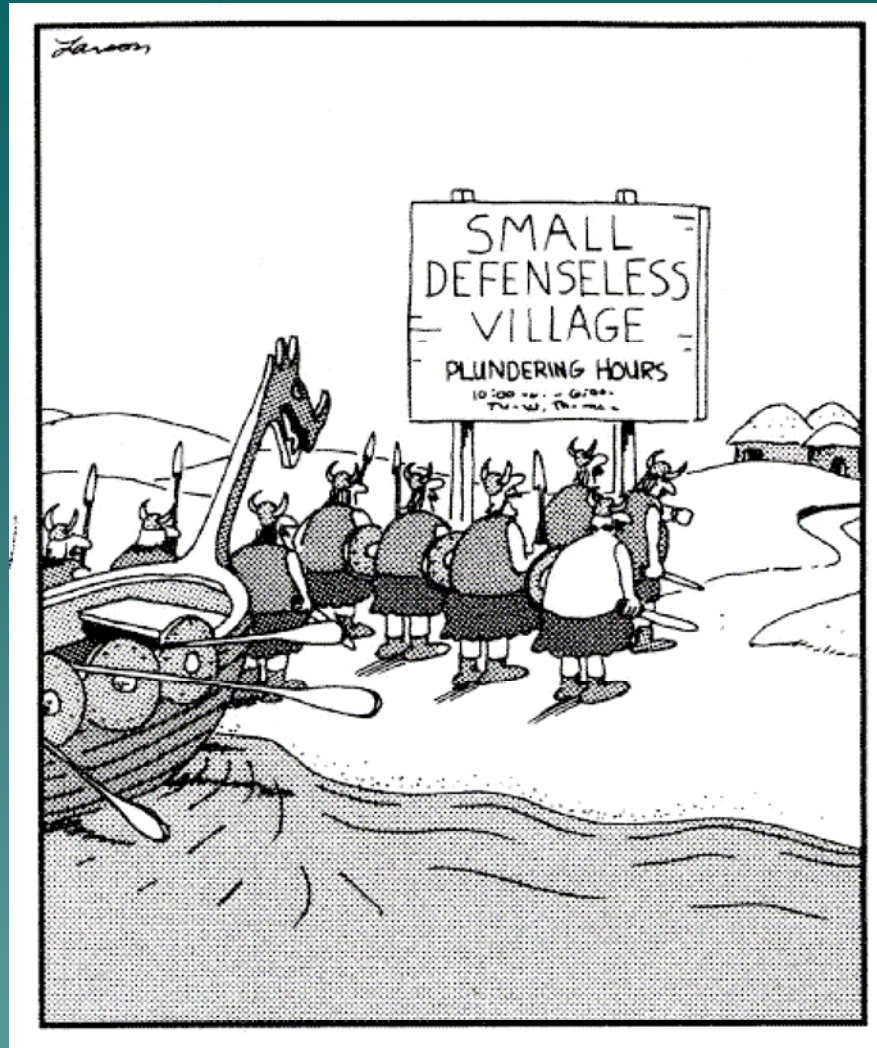


Growth and Development Roundtable

Housing and Conservation Planning Program

- ◆ Incentive-based approach to offer communities technical support to treat housing development, economic planning, and conservation as part of a unified planning strategy
 - Four stages of matching funds
 - ◆ Housing and natural resource data collection
 - ◆ Creation of a municipal Growth and Development Strategy
 - ◆ Amendment of local master plan
 - ◆ Audit and amendment of local land use ordinances and regulations





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