Chapter Three Housing

Introduction

The economic downturn of the late 1980s caused residential purchase prices to plummet, rents to stabilize, and vacancy rates to increase. Much of this was due to over speculation and construction levels that exceeded demand. The region's housing market began to recover around 1994, at which time housing costs began to increase and vacancy rates decrease. High levels of in-migration during the 90s further increased housing demand levels. Housing developers, however, continued to build new units at a slower rate than demand required. The result of this was a shortage of housing units affordable to all income levels, particularly low to moderate-income families.

In late 2007 it was determined that the United States economy was having a financial crisis and was in what is now called the "Great Recession." This recession continues today and has had great impacts on every sector of the economy, including the housing market. The housing market crash started just before the Great Recession was confirmed and the downturn has affected many different industries. New construction is at the lowest levels it has been since records have been kept for the regional housing needs assessment, starting in the 70's. Recovery will be slow and the impacts of the housing market crash and Great Recession will be felt for many more years to come.

Over the decade, numerous changes have taken place in the SNHPC region. The number of dwelling units in the region has increased by 9,783 from January of 2000 through December of 2008, an approximate 10.14 percent increase. There are now approximately 106,293 dwelling units in the SNHPC region (2008). All communities in the region contributed to this growth, some seeing higher increases than others. Bedford had the greatest percent increase in units (85.7 percent) and Manchester had the least (9.83 percent).

Single-family residences continue to be the predominant type of units constructed in the region. Of the 9,783 residential building permits issued from 2000 through 2008, 6,319 were for single-family homes. Permits issued for single family and duplex/multi-family housing have decreased dramatically in this time period, starting in 2004-2005. Permits for manufactured housing have remained relatively constant, with an increase in 2008 to 153 from 20 in 2007.

The region's population increased by an estimated 12,953 persons from 2000 to 2008. This is an increase of 5.2 percent. Population projections indicate the region's population will continue to be centered around Manchester. However, the most significant increases are predicted for the outlying communities of Weare, Hooksett, and Londonderry.

The average purchase price of a new home in the region during the first half of 2009 was \$221,000. Averages ranged from a high of \$392,500 in Bedford to a low of \$208,750 in

Manchester. The cost of renting an apartment in the region has also increased in the past few years. The median monthly rent, across the region, has risen approximately 47 percent from \$659 in 1998 to \$971 in 2008. The highest rents can be found in Bedford, Hooksett, and Londonderry, all over \$1,300 per month.

For individuals who have difficulty attaining homeownership or affording the rent on a home, the number of rent-assisted units in the region has increased slightly since 1998, bringing the total number of units from 3,096 in 1998 to 3,993 in 2010. However, it must be noted that 79.19 percent of these rent-assisted units are located in Manchester and 44 percent of those units are reserved for elderly or senior households.

Within the SNHPC region it is estimated that there are 30,845 moderate or lower income households paying 30 percent or more of their monthly income to gross rent. Moderate or lower income households are defined as those at or below 80% of the area median family income. These figures are anticipated to increase to approximately 33,711 households by the year 2015.

For 2008, it is estimated that of the 101,446 total households (occupied units) in the SNHPC region, there were an estimated 49,913 affordable or workforce housing units, or 49 percent of the total households. For 2015, it is estimated that there will be 110,867 total households in the region and consistent with the estimated 49 percent in 2008, the estimated workforce housing units will number 54,548. The fair share analysis in section 5 distributes these units to the thirteen communities in the region based on their 2008 share of the region's total housing units.

Public Survey Results

The Housing Survey was developed to seek public input regarding concerns related to housing expansion, availability and affordability in the SNHPC region. The survey also analyzed matters related to age-restricted housing (55+ residents) and housing types and preferences. Most SNHPC region communities participated in the survey, with the towns of Londonderry, Derry and Bedford recording the highest participation levels (making up a combined 44 percent of the survey sample).

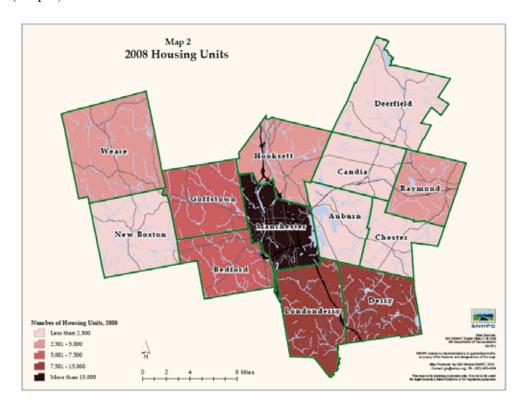
- An overwhelming majority 84 percent of those surveyed indicated their belief that available housing is sufficient to meet demands associated with a growing population.
- Fifty percent of respondents acknowledged that there have been no recent increases in a diversified housing stock, such as workforce or mixed-use developments. Alternatively, 71 percent of those surveyed indicated that housing densities have increased in their communities over the last decade.
- Two-thirds of respondents conveyed that communities are obligated to provide some form of workforce housing to residents with limited incomes, such as teachers and firefighters. However only 52 percent of those surveyed indicated

that the adequate provision affordable housing should be a requirement for their community.

- No definitive consensus emerged when respondents were asked to identify types of affordable housing that would be most beneficial for their individual communities, except for a general aversion to mobile homes.
- Notably, a remarkable 88 percent of those surveyed indicated that there was no need in their communities for any additional age-restricted (age 55 and over) housing.
- Most of those surveyed indicated that their communities had not yet established a local housing committee to access housing needs and conditions. Only 30 percent of respondents identified such a committee was active in their communities.

Existing Housing Conditions

The thirteen-community SNHPC region, as of 2008, hosts 106,293 housing units. These are comprised of single-family, two-family or duplex, or multi-family homes, as well as condominiums and manufactured homes. This is just about 17 percent of the homes in the State of New Hampshire. The region's communities vary in size from Candia, the smallest, with an estimated 1,519 units in 2008 to Manchester, the largest, with 48,722 units (Map 2).



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The housing stock of the region was analyzed using information from the 1990 and 2000 U.S. Censuses and data collected by the New Hampshire Office of Energy and Planning (Table 3.1). The total number of housing units increased by 19,059 units or roughly 22 percent between 1990 and 2008 in the SNHPC Region. All communities in the region experienced varying degrees of growth during the 1990 to 2000 and 2000 to 2008 periods. The Town of Bedford experienced the greatest increase from 1990 to 2000 (54 percent increase). Most recently from 2000 to 2008, New Boston had the greatest increase at approximately 31 percent.

The greatest numerical increase in housing units from 1990 to 2008 occurred in Manchester (+4,361 units), Bedford (+3,562 units), and Londonderry (+1,838 units). The communities with the lowest numerical increase in units were Candia (+327 units), Auburn (+485), and Deerfield (+518 units). Nearly 46 percent of the region's housing units were located in Manchester in 2008, compared to 51 percent in 1990. During the 18 years examined here, the communities immediately bordering Manchester – Auburn, Bedford, Goffstown, Hooksett, and Londonderry, in addition to the town of Derry – accounted for approximately 59 percent of the region's housing unit increase. Manchester and the surrounding six towns, listed above, accounted for 86 percent of the regions housing units in 2008. The outlying towns of Candia, Chester, Deerfield, New Boston, Raymond, and Weare represented the remaining 14 percent. The total increase in housing units for the whole region between 1990 and 2008 was 19,059 and there are now an approximate 106,293 housing units in the SNHPC region.

Table 3.1
Total Housing Unit Increase SNHPC Region, 1990, 2000 and 2008

Number of Housing Units 19					990-2000 2000-2008		
	Number of nousing units		1990	2000-2008		-2008	
Municipality	1990	2000	2008	Increase	Percent Change	Increase	Percent Change
Auburn	1,355	1,622	1,840	267	19.70%	218	13.44%
Bedford	4,156	6,401	7,718	2,245	54.02%	1,317	20.57%
Candia	1,192	1,384	1,519	192	16.11%	135	9.75%
Chester	924	1,247	1,568	323	34.96%	321	25.74%
Deerfield	1,227	1,406	1,745	179	14.59%	339	24.11%
Derry	11,869	12,735	13,340	866	7.30%	605	4.75%
Goffstown	5,022	5,798	6,397	776	15.45%	599	10.33%
Hooksett	3,484	4,307	5,120	823	23.62%	813	18.88%
Londonderry	6,739	7,718	8,577	979	14.53%	859	11.13%
Manchester	44,361	45,892	48,722	1,531	3.45%	2,830	6.17%
New Boston	1,138	1,462	1,913	324	28.47%	451	30.85%
Raymond	3,350	3,710	4,385	360	10.75%	675	18.19%
Weare	2,417	2,828	3,449	411	17.00%	621	21.96%
SNHPC	87,234	96,510	106,293	9,276	10.63%	9,783	10.14%
Region							

Sources: 1990 U.S. Census SF1-H1

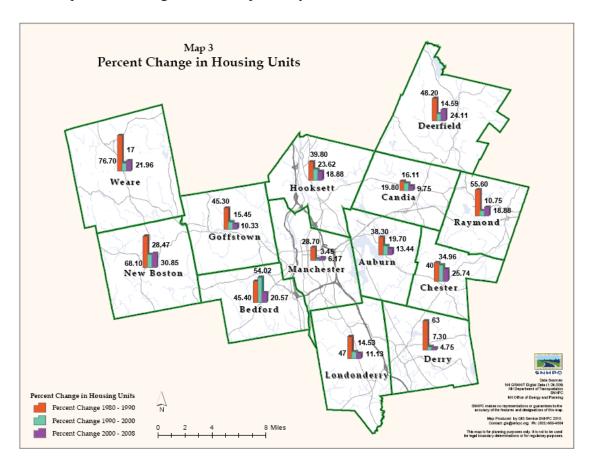
2000 U.S. Census SF1-H1

NHOEP Current Estimates and Trends in New Hampshire's Housing Supply, 2008

The mid 1980s were a period during which housing construction soared and, propelled by a strong economy, the housing market boomed. Conversely, the onset of the 1990s ushered in a decline in the creation of housing as a period of recession set in and the demand for new housing units dropped. The mid to late 90's and early 00's saw a recovery and another upswing in the housing market and just recently we have seen a substantial drop again from the recession that started in late 2007.

In terms of absolute numbers, there were a total of 23,033 housing units created in the region from January 1980 to January 1990, 9,276 units built from January 1990 to January 2000, and 9,783 units built from January 2000 to December 2008. This equates to an average of 2,303 housing units per year for 1980 to 1990, 928 units per year for 1990 to 2000, and 1,223 units per year for 2000 to 2008.

Map 3 compares the percentage change in housing units for the periods 1980 to 1990, 1990 to 2000 and 2000 to 2008. This map illustrates the trends in housing development that took place in the region over the past 28 years.



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Table 3.2
Proportion of Housing Unit Types in the SNHPC Region, 2008

	Single Family		Duplex and Multi-Family		Mobile Homes and Other Housing		Total Units
Geographic Area	Quantity	Percent	Quantity	Percent	Quantity	Percent	Quantity
SNHPC Region	58,066	54.63%	45,166	42.49%	3,060	2.88%	106,293
State of New							
Hampshire	385,662	63.30%	184,294	30.25%	39,297	6.45%	609,253

[&]quot;Current Estimates and Trends in New Hampshire's Housing Supply 2008" NH OEP

When Table 3.2 is examined, it shows that, overall, single family housing units in the Southern New Hampshire Planning Commission area represent 54.63 percent of all housing units in the region. Duplex and multi-family units account for 42.49 percent of the living accommodations, while mobile homes and other housing types provide 2.88 percent of all housing units. The total quantity of all housing units in the region was 106,293 in 2008. Also evident from this table is that the SNHPC region contains 17.4 percent of the total housing units found in the State.

Future Housing Conditions

An understanding of future needs for housing units is invaluable to the planning process. Future housing projections are utilized both in transportation modeling, as well as growth management and future land use planning. Prior to 2003, the SNHPC's housing projections were based on the historical annual average increase in housing units. This figure was assumed to be constant, and projections were calculated at five-year intervals for both the community and traffic zone levels. Housing projections were utilized in transportation planning, and this method was the most acceptable, since these studies projections had to be made independent of population or employment projection data.

The latest housing projections are based on a model pioneered by Bruce Mayberry on behalf of the New Hampshire Housing Finance Authority. In this model, three alternative projections are generated for 2015 and are primarily based on 1990 and 2000 census data and employment and population growth for the region. The first projection assumes the region maintains its constant share of the State's employment through 2010. The second projection assumes the region will retain its share of the State's 2000-2010 employment growth. Both the first and second projections allow housing unit growth to respond to employment growth within the region. The third method is based on municipal level population projections. The final estimation of the region's future housing needs is an average of the original historical average method and the three newer methods developed by Bruce Mayberry.

Details of SNHPC's housing unit projections are outlined in Tables 16 and 17 of the Housing Needs Assessment. A summary of the current housing needs projections is presented below.

Table 3.3 Comparative Dwelling Unit Projections, 2000-2015

Municipality	2000 Census	2015 Projection (Average of all four methods)	Percent Change from 2000 to 2010	Annualized Growth Rate
Auburn	1,622	1,926	18.7%	1.73%
Bedford	6,401	7,691	20.2%	1.85%
Candia	1,384	1,632	17.9%	1.66%
Chester	1,247	1,528	22.6%	2.05%
Deerfield	1,406	1,707	21.4%	1.96%
Derry	12,735	14,616	14.8%	1.39%
Goffstown	5,798	6,773	16.8%	1.57%
Hooksett	4,307	5,277	22.5%	2.05%
Londonderry	7,718	9,124	18.2%	1.69%
Manchester	45,892	53,103	15.7%	1.47%
New Boston	1,462	1,792	22.6%	2.06%
Raymond	3,710	4,468	20.4%	1.88%
Weare	2,828	3,445	21.8%	1.99%
SNHPC Region	96,510	113,081	17.2%	1.60%

Source: SNHPC Housing Needs Assessment, 2010

New Hampshire's population is growing as demonstrated in Figure 1. The SNHPC Region alone is projected to add nearly 30,000 more residents over the next ten years. At the same time, area incomes have not kept pace with the rising cost of home ownership. Additional housing will be needed, and it should represent a mix of types that provides housing to all income levels.

1990-2000: 15% Increase; 2000-2010:5% increase 300,000 261,262 248,844 250,000 216,479 200.000 150,000 100,000 50,000 0 1990 Census 2000 Census 2010 Census

Figure 1: Total Region Population Change

Adequate, affordable housing for everyone is an important factor that is vital to the welfare and security of those residing in the SNHPC region. Such housing enables the region to attract and retain residents that contribute to its overall economic success and maintain the quality of life residents have come to appreciate. In recognition of this need, a local "fair share" distribution is determined for each municipality in the region as part of the Housing Needs Assessment.

In 2008 (effective January 1, 2010) the New Hampshire legislature enacted RSA 674:59, which states that

"I. In every municipality that exercises the power to adopt land use ordinances and regulations, such ordinances and regulations shall provide reasonable and realistic opportunities for the development of workforce housing, including rental multi-family housing. In order to provide such opportunities, lot size and overall density requirements for workforce housing shall be reasonable. A municipality that adopts land use ordinances and regulations shall allow workforce housing to be located in a majority, but not necessarily all, of the land area that is zoned to permit residential uses within the municipality. Such a municipality shall have the discretion to determine what land areas are appropriate to meet this obligation. This obligation may be satisfied by the adoption of inclusionary zoning as defined in RSA 674:21, IV (a). This paragraph shall not be construed to require a municipality to allow for the development of multifamily housing in a majority of its land zoned to permit residential uses."

It is also important to note the definitions in RSA 674:58, where affordable housing is defined as "housing with combined rental and utility costs or combined mortgage loan debt services, property taxes and require insurance that do no exceed 30 percent of a household's gross annual income." Multi-family housing is defined as "a building or structure containing 5 or more dwelling units." Workforce housing is defined as "housing which is intended for sale and which is affordable to a household with an income of no more than 100 percent of the median income for a 4-person household for the metropolitan area or county in which the housing is located as published annually by the United States Department of Housing and Urban Development. Workforce housing also means rental housing which is affordable to a household with an income of no more than 60 percent of the median income for a 3- person household for the metropolitan area or county in which the housing is located as published annually by the United States Department of Housing and Urban Development. Housing units that exclude minor children from more than 20 percent of the units, or in which more than 50 percent of the dwelling units have fewer than two bedrooms, shall not constitute workforce housing for the purposes of this subdivision."

The 2010 Housing Needs Assessment utilizes a new methodology, also developed by Bruce Mayberry for the New Hampshire Housing Finance Authority. Mayberry provided opportunity for a wide variety of income and need levels to be examined. The SNHPC analysis focuses on two: renters under 80 percent of the median area income (MAI) and paying 30 percent or more to gross rent and renters under 50 percent MAI and paying more than 35 percent or more to gross rent. These categories are further broken down

into non-elderly households and elderly (65+) households. The factors used to determine the non-elderly distribution were:

- Municipal percent share of the region's jobs
- Municipal percent share of the region's commercial-industrial valuation
- Municipal percent share of the region's workforce
- Municipal percent share of the region's existing total occupied households
- Municipal percent share of the region's aggregate household income
- Municipal percent share of the region's vacant residentially zoned land

The factors used to determine the elderly distribution were:

- Municipal percent share of the region's commercial-industrial valuation
- Municipal percent share of the region's age 65-plus households
- Municipal percent share of the region's renters age 65-plus
- Municipal percent share of the region's vacant residentially zoned land

The following table summarizes the proportionate distribution of moderate and lower income housing needs of renters earning less than 80 percent MAI and paying greater than 30 percent towards housing costs. The table is an aggregate of the 2000 and 2010 distributions for both elderly and non-elderly households. These individual calculations can be viewed in Tables 27.1, 27.2, 27.3, and 27.4 in the Housing Needs Assessment.

Current Housing Needs and Concerns in the Region

As the cost of homeownership continues to skyrocket, the reality of those who need affordable housing is very different from the perception of affordable housing. These perceptions are deeply ingrained and severely flawed. Many people think that affordable housing will not blend into their neighborhoods and are only large, ugly projects, which reduce surrounding property values and raise taxes. It is perceived that affordable housing will lead to increased crowding and social problems, as well as higher crime.

In truth, affordable housing today is none of these things. A wide range of incomes and backgrounds needs quality affordable housing. Likely the people who could most benefit from affordable housing are our neighbors, co-workers, friends, or family.

Affordable housing is housing that is affordable to all income levels when spending less than 30 percent of household income toward housing costs. However, we choose to focus on households earning 80 percent or less of the Mean Area Income (MAI), since it is assumed that households earning more have greater options and flexibility within the market-rate housing stock. For residents earning 80 percent or less of the MAI, there is currently not enough affordable housing supply to meet the demand.

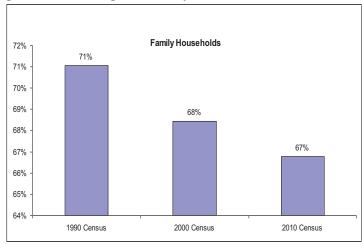
Table 3.4 Median Area Family Income 2008 (MAI)

Area	Median Family Income	80% of MAI	Monthly Payment at 30% of 80% MAI
Manchester, NH PMSA Auburn, Bedford, Candia, Goffstown, Hooksett, Londonderry, Manchester, Weare	\$76,400	\$61,120	\$1,528
Lawrence, MA - NH PMSA Chester, Derry, Raymond	\$80,600	\$64,480	\$1,612
Hillsborough County New Boston	\$74,000	\$59,200	\$1,480
Rockingham County Deerfield	\$90,600	\$72,480	\$1,812

Source: NHHFA, HUD and SNHPC calculations

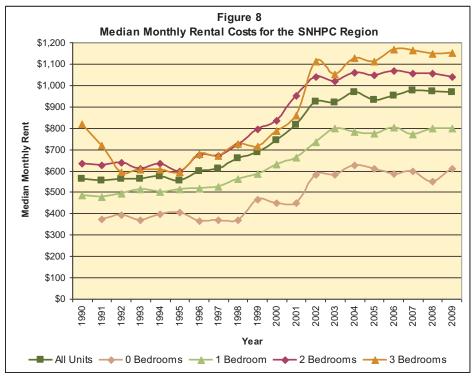
Affordability and the need for affordable housing affect many different groups of people in various ways. Perhaps foremost in our consciousness are the rising costs of real estate. Most residents would agree that the purchase price for homes and condos in the area is quite high. Creative financing options such as reverse amortization, interest-only, and adjustable-rate (ARMs) mortgages have enabled more people to achieve the "American Dream" of homeownership despite rising prices. These types of mortgages allow people to finance more and to outbid others for the house of their dreams, but the dangers down the road are numerous. However, these types of mortgages can offer an initial period with low payments and fixed interest rates. Once this period expires, the subsequent readjustment can mean a significant hike in the monthly payments. The result can be an inability to meet the financial obligations of the loan and eventually, foreclosure. The impacts on communities due to the rising number of foreclosures can be a significant burden.

Figure 2: Percentage of Family Households in Total Households



Source: SNHPC

Along with the provision of appropriate and adequate owner occupied housing, rental costs are also an important affordability factor and can function as an indicator of the development of housing in a community. According to the annual Residential Rental Cost Survey conducted by the New Hampshire Housing Finance Authority for 2009, current rental levels have exhibited a marked increased since 1990, 71.9 percent.



Source: SNHPC

For all rental units, the median gross rent fluctuated between 1990 and 1995, when it finally reached its lowest, nearly 2 percent below the 1990 median rent. Gross rent as is calculated here is the measure of rent charged by the landlord plus allowances for each utility paid by the tenant. From 1995 through 2004, rent costs rose rapidly, paralleling residential purchase prices. Median gross rent increased nearly 75 percent from 1995 through 2004. From 2005 through the present median gross rent has been steady with a slight decrease in 2005, a slight increase in 2006 and 2007 and then slight decreases in 2008 and 2009.

A greater percentage of renters opposed to homeowners in the SNHPC Region make less than half of the MAI (49 percent of households) or less than 80 percent MAI (62 percent of households). Among homeowners, on the other hand, only 16 percent make less than 50 percent of the MAI and 46 percent less than 100 percent of the MAI.

Rental properties in the SNHPC Region are extremely scarce outside Manchester and rent assisted units are subject to waiting lists hundreds of people long. The current practice of converting apartments to condominiums further exacerbates the problem, displacing

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people that cannot afford to own homes for the sake of supplying less expensive owner occupied homes.

With such a large percentage of renters below the median area income, communities need to provide more affordable rental units. Both the public and community planners need to be educated that apartments are positive additions, and the people who live in apartments are viable members of the community. Apartments can benefit communities by reducing sprawl, conserving open space, reducing traffic congestion and the burden to area schools, and improve economic success by providing housing for employees and customers of local businesses.

Given the recent rises in real estate prices, a growing share of residents in the 80 percent MAI to 100 percent MAI range, who previously were not considered to need affordable housing, are finding home ownership beyond their reach. Workforce housing provides opportunities to the people that fulfill jobs vital to a community's existence, such as teachers, health care workers, and police and fire personnel that may fall within this income bracket.

Workforce housing should be a goal of communities in the SNHPC Region. Communities depend on service providers to perform at their best all the time. By not providing affordable workforce housing, these essential personnel are hampered by undue stress, long commutes, and disenfranchisement from the community.

Table 3.5 Population age 55+

Municipality	2000	2010	Percent Change
Auburn	286	1,245	335%
Bedford	2,103	5,696	171%
Candia	283	1,098	288%
Chester	230	983	327%
Deerfield	253	1,061	319%
Derry	2,103	6,787	223%
Goffstown	2,043	4,397	115%
Hooksett	1,062	3,294	210%
Londonderry	1,233	5,336	333%
Manchester	13,829	25,251	83%
New Boston	208	1,141	449%
Raymond	670	2,324	247%
Weare	365	1,660	355%
SNHPC Region	24,668	60,273	144%

Sources: 2000 U.S. Census SF1

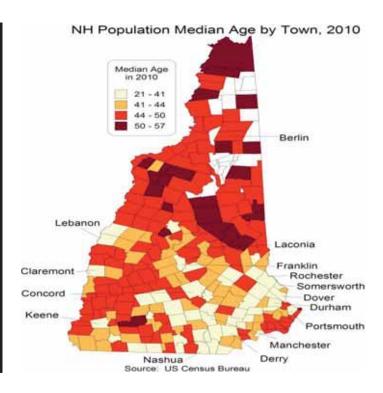
2010 U.S. Census SF1

The over-55 demographic in the SNHPC region is growing and creating new housing needs as well. In the past decade the region has gained 35,605 citizens 55 or older. While aging populations do not add to school enrollment, there is the possibility that healthcare services will be impacted to a larger degree, but these services are generally not financed through property taxes and thus do not pose an undue hardship for the towns. Many communities are addressing this increase in elder population through age-restricted housing. Nine communities in the SNHPC Region permit elderly housing in community zoning — Bedford, Candia, Deerfield, Derry, Goffstown, Hooksett, Londonderry, Manchester and Raymond. In Auburn, Chester, New Boston, and Weare elderly housing is not specifically noted in zoning.

Age-restricted housing benefits communities by enabling older residents to remain in the community and providing tax income without added pressure on school enrollment. In the short-term, affordable housing for seniors makes sense economically. However, age-restricted housing should not be favored over other forms of affordable housing; a balance needs to be achieved to foster continued economic growth. Working families are more likely to attract new businesses or support existing ones than are seniors. As a result, an over-production of age-restricted units could lead to negative long-term economic impacts. ¹

Table 3.6 Median Age Changes

Town	Median age	Median age
Auburn	36.8	43.5
Bedford	39.2	42.3
Candia	37.6	44.5
Chester	35.7	40.6
Deerfield	36.2	42
Derry	33.6	38.2
Goffstown	35.4	39
Hooksett	35.3	39.8
Londonderr	35	40.5
Manchester	34.9	36
Raymond	36.2	39.9
New	34.4	39.9
Weare	34.1	39.1



Source: U.S. Census Bureau, 2010

¹ The Rockingham News, "Affordable housing will build dynamic communities," April 2, 2004, http://www.seacoastonline.com/2004news/rock/04022004/opinion/8693.htm accessed 27 July 2005.

The SNHPC Region, and specifically Manchester, has received an influx of immigrants and refugees over the last 15 years. As of the 2000 census, there were 10,035 foreign-born residents in Manchester. These immigrants made up 9.4 percent of Manchester's total population, more than double that of the statewide percent of immigrant population (4.4%).

The International Institute of New Hampshire assists refugees in many ways, including helping them to find their first job. Refugees are required to accept the first job offered to them, even if it is not in their field, forcing many to accept undesirable jobs, which native-born residents typically feel are beneath them.² The employers that take the time to hire and train immigrants and refugees are pleased with their performance; immigrants and refugees are reliable, possess good work ethics and a desire to constantly learn. According to Anne Sanderson, director of the International Institute, "It's rare that they are draining the community or increasing the unemployment rate because they are taking the jobs that Americans don't want."

Despite the perks of attracting and settling minority populations, there are consequences too. Area healthcare and school systems are heavily impacted. Still, most experts agree that the returns are worth the extra effort. Refugees typically rent within our communities and consume local goods and services, while working in low wage jobs. There are examples of immigrants and refugees who are now homeowners. This achievement typically can take from five to eight years after arrival to attain, and communities must factor this growing population into its affordable housing initiatives.

Solutions to the affordability crisis include inclusionary zoning, adaptive re-use, development of non-conforming lots, mixed use zoning, allowing accessory dwelling units, manufactured housing and other incentives and disincentives.⁴

Inclusionary zoning encourages developers to include affordable housing units in return for a variety of incentives. An agreed upon number or percent of dwelling units must be reserved for elderly, handicapped, or targeted lower-income households; the ratio may be set through local ordinances. Incentives a community may offer include density bonuses, zoning exemptions, and expedited reviews.

Adaptive re-use converts previously unused buildings, which may have had a commercial or industrial purpose before, into housing affordable to various income levels. Many communities have found abandoned mill buildings prime for adaptive re-use. Within the SNHPC region the Chase Mill in Derry was developed into 16 age 55-plus condominiums; Families in Transition is currently developing a West Manchester mill into a mixed use facility with offices, retail and apartments; the Manchester

³ Kara Steere, "Coming to NH: Refugees and immigrants continue to shape the Granite State's economy," <u>Business NH Magazine</u>, May 2005.

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² Will Stewart, "Multicultural Manchester," <u>Hippo Press</u>, http://www.fawi.net/ezine/vol3no4/Mmanchester.html accessed 22 July 2005.

⁴ For a complete list of housing solutions, with examples of NH success stories, see the Housing Solutions for NH Handbook at http://www.nhhfa.org/frd_housingsolutions.htm and Section 4 of SNHPC's 2005 Housing Needs Assessment

Neighborhood Housing Services is redeveloping a former shoe factory into 57 affordable apartments and the former Brown School into one-bedroom elderly apartments.

By mixing residential and commercial uses, potential commercial revenues can serve as incentives to developers to provide below market rate units. Additionally, mixing residential units affordable to all income ranges, through the creation of affordable units, market rate, and luxury units in one development allow private developers to earn the profits they anticipate and increase the local affordable housing stock.

Another option for towns is to allow the development of non-conforming lots. Traditionally, non-conforming lots do not meet the minimum dimensional requirements of buildable lots. By classifying these lots as buildable for affordable housing units only, or dwelling units not to exceed a set gross floor area, lots that were once vacant can be put to productive use in a community and allow for lower cost single family homes.

Accessory dwelling units, such as in-law apartments, can provide affordable places to live for family members or renters. These units are permitted under Innovative Land Use Controls RSA 674:2. These units, which maintain the single-family character of neighborhoods, provide inexpensive housing for older or younger relatives.

Today's manufactured housing units can provide an aesthetically pleasing source of affordable housing. State legislation mandates that all communities provide opportunity for manufactured housing, per RSA 674:32. When manufactured home owners in parks share land costs the total housing costs remain affordable. Unfortunately, with increasing land costs, the value savings to unit owners, siting manufactured homes on individual lots or subdivisions, is decreasing.

RSA 674:21 allows timing incentives, intensity and use incentives, and transfer of density and development rights as innovative land use controls. Another incentive includes offering tax breaks for low-income homeowners. A disincentive to the individuals that buy housing stock with the intention of selling it at a quick turn-around for profit, thus further driving up the cost of real estate, is capital gains taxes of real estate profits after short-term possessions.

Affordable housing solutions today invariably focus on density. What do communities in the SNHPC Region desire? They want to provide vibrant, safe, economically healthy centers, where residents want to and can afford to live for a lifetime, and at the same time, attract new residents, who help perpetuate the continued growth and success of the municipality. SNHPC communities are also concerned with preserving open space and the character of the New England village with which they are identified. Within the State a group of conservation, state, planning, non-profits, and real estate development agencies have formed a Growth and Development Roundtable to tackle policy and planning issues related housing development and land conservation. Yet most communities are afraid of density. For many, "density is a four-letter word." By allowing increased density or offering density bonuses in return for affordable housing,

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⁵ Mark Hayward, "NH just keeps on growing," <u>Manchester Union Leader</u>, June 17, 2005.

communities can attain the goals listed above, without sacrificing the rural character they are striving to preserve.

There are a few options available to towns that promote increased density while preserving open space. Multi-family housing, either as condominiums or apartments is the traditional method of creating greater density development. Additional mechanisms, termed innovative land use controls, provided under RSA 674:21, include cluster zoning, the village plan alternative subdivisions, along with the previously mentioned accessory dwelling units, intensity and use incentives, and the transfer of density and development rights.

Cluster zoning allows developers to build units on smaller than average lot sizes in return for the remaining acreage to remain protected as open space. For instance, rather than building on the entire parcel, and spreading out the homes to encompass all the available land area, the homes are built on a reduced portion of the land area, and the remainder is preserved through easements.

The village plan alternative allows landowners of large parcels of open space to benefit from the economic development of the land, while still preserving its rural character. Under such a plan, the entire density permitted for the overall parcel must be on 20% or less of the entire parcel, with a conservation easement on the remaining land. Development must comply with existing access regulations for emergency services, but other regulations pertaining to lot size, setbacks, and density do not apply. Additionally, applications under the village plan alternative must be given expedited review of 45 days or less. Currently, no New Hampshire towns have adopted such a zoning ordinance, but the Rockingham Planning Commission has developed a model ordinance at for municipalities to use in drafting their own village plan alternative provisions. The model ordinance also contains drawings of the potential development that would occur in a village plan.

Multi-family housing also offers increased density, with the potential to also offer more affordable housing as well. Designing the multi-family units to look like single-family units can mitigate concerns that multi-family housing would not fit in with existing single-family developments. This was successfully accomplished in the Echelon at Lakeside development in Plano, Texas. Higher density development is espoused, and the above example described, in the publication "Higher-Density Development: Myth and Fact."

http://www.uli.org/Content/ContentGroups/PolicyPapers/MFHigher010.pdf#search='NMHC%20HigherDe nsity%20Development%20Myth%20and%20Fact accessed 27 July 2005.

⁶ The model ordinance is available online at: http://www.rpc-nh.org/Village-Design.htm

^{7 &}quot;Higher-Density Development: Myth and Fact,"
http://www.uli.org/Content/Cont

Conclusion

First and foremost, the SNHPC Region is a desirable place to live, work and play. Second, the area will continue to experience population growth due to its attractiveness. An examination of the existing housing conditions has shown that housing production has begun to be outpaced by population. As a result, the existing housing stock does not meet the current demand for housing in the region. Furthermore, the costs of homeownership have risen sharply, making the "American Dream" less realistic for many.

The high cost of housing in the SNHPC Region could jeopardize future economic growth. Children who grew up in Southern New Hampshire can no longer afford to raise families here. Businesses have a difficult time attracting quality employees, which in turn makes attracting new businesses challenging for communities. In order to combat these issues, communities should provide affordable housing, both rental and owner occupied, for all income levels.

The State can also play a large role in assisting the needs of housing in the region. New Hampshire's RSA 674:21 grants municipalities the right to implement various innovative land use controls to incite new and positive development that conforms to State smart growth principals. The following outlines several of these innovative controls that can assist towns to promote new low to moderate income housing through regulation, as well as a few other options that are available.

<u>Inclusionary Zoning</u>: Inclusionary zoning or housing programs are a means of encouraging or requiring private developers to provide housing for moderate, low-, and very low-income households. Inclusionary housing functions by granting zoning exemptions and density bonuses to developers that permit them to build at a higher density if a portion of the proposed development is reserved for elderly, handicapped, or targeted lower-income households.

Inclusionary housing provisions are only applicable in municipalities willing to use density bonuses as a housing development incentive for a recognized community need. Most inclusionary housing programs are voluntary. Depending on the zoning ordinance, developers interested in applying for a density bonus apply either to the local zoning board of adjustment or to the planning board.

The percentage of units that must be reserved for target groups varies, based on need and feasible incentive. State of Massachusetts ordinances range between a requirement of 5 to 40 percent, depending on the municipality and on the type of housing provided. For example, the Town of Lexington requires developers seeking a rezoning to either:

- donate 5 percent of the units to the local housing authority for very-low-income households, or
- 15 percent for purchase by the local housing authority at HUD allowable costs for the Boston Metro area, or
- 25 percent to be set aside as moderate-income units, or

• 40 percent for middle-income household purchase.

Generally, a two-to-one ratio between added-market-rate units and below-market-rate units is recommended; one below-market-rate unit for each two additional units allowed over the existing permitted density. Some ordinances require a portion of new rental development units contain at least three bedrooms in addition to requiring that a certain percentage of the units be reserved for target groups.

Most ordinances require the below-market-rate units to be provided within the development site (hence the term "inclusionary"). The units may be smaller than market-rate units, and may lack some amenities, but may not be recognizably different from the other units in the development. However, ordinances may allow below-market-rate units to be either clustered together or distributed throughout the complex.

Since below-market units are provided on-site, the maintenance, management and marketing of the units remains a private responsibility. Local ordinances usually include a provision requiring that below-market units, whether rental or owner-occupied, remain at below-market levels for a fixed period. The time can vary from 10 to 99 years, with 20 years being typical. Municipalities have the responsibility of ensuring that below-market units remain at target levels. This is particularly difficult for below-market-rate owner-occupied housing as the resale of the property must be regulated to ensure that a low- or moderate-income family can purchase the unit, while allowing the seller to capture some equity from the property. In most cases, the monitoring of inclusionary housing programs is the responsibility of a local housing authority, community development department, or planning department.

One obstacle encountered in inclusionary housing development is with incentive provision administration. In addition, some municipalities may encounter difficulty or resistance when amending zoning ordinances to provide for density bonuses. Several benefits can be associated with inclusionary housing. Below-market-rate units in inclusionary housing programs are typically built, managed, and maintained by private developers. An additional advantage is the housing needs of most family types, including various age and income groups, can be accommodated within a single residential development, with only minimal public-sector involvement.

<u>Clustered Housing</u>: Cluster housing provisions allow alternative design patterns which group housing units together, with reduced lot size, frontage, and setback requirements while committing a percent of the land to open space. The individual house lot or private yard area dedicated to each unit is smaller than in conventional developments; the overall density is approximately the same. Density is the relationship of the development's total land area of the development, including common areas, to the total number of units, rather than considering only the amount of land dedicated to each individual unit. Cluster developments are sometimes referred to as "planned residential developments," "planned unit developments," or "open space developments."

Cluster ordinances are often designed to function as overlay zones and may be restricted to certain zoning districts or portions of the community. Approval to vary from the area requirements of the underlying zone must be granted by the planning board, zoning board of adjustment, or both. Most ordinances in the region calculate permitted densities by a formula that subtracts wetlands and steep slopes from the total land area to determine the buildable area, and then divides the remaining land by a minimum area-per-unit requirement.

Cluster developments can be designed for single family homes, duplexes, multi-family housing or a mixture of housing types, depending on the specifics of the ordinance. As cluster developments use smaller lots than those required under conventional subdivision requirements and concentrate houses on the area of the site with the most potential for development, cluster design can allow for additional savings. The land saved from each individual lot is assembled to create common open space serving the entire development. In this way utility runs are kept to a minimum, and materials and construction costs for expensive street pavement, sidewalks, and curbs and gutters are saved.

Cluster is an ideal way of allowing development to occur with a minimum of disruption to the natural environment and is generally a far more efficient use of land than conventional grid development. Whereas conventional grid developments tend to divide land into numerous individual parcels, cluster development allows large and often contiguous areas to remain open and undeveloped. In this way, wildlife habitats are better preserved, and large areas can be set aside for both active and passive recreational uses. Cluster can provide for a wide variety of housing types, for a diversity of households and lifestyles, and a range of income groups.

Cluster housing can be developed in rural, suburban, and urban areas. Since overall densities are not usually higher than those allowed in the underlying zone, public water and sewer may not be prerequisites for cluster development. Many developments utilize community septic systems or wells. The adoption of inclusionary zoning, along with a cluster housing provision, could be a highly effective means of providing affordable housing.

<u>Village Plan Alternative Subdivision</u>: The intent of village plan alternative subdivision is to promote a more efficient and economical method of land development. Similar to cluster development, it strives to consolidate physical development to reduce the cost and need for new roads, utilities, and infrastructure while preserving open space when possible.

When a developer chooses, and is approved, to use this development tool, the entire developed area must be confined to twenty percent of the site. A recorded easement shall reserve the remaining land, limiting future construction on the land to farming operations, forest management and conservation uses.

The submission and approval process remains the same as a conventional subdivision. However, the review process is to be expedited. The village plan alternative subdivision

must still comply with existing subdivision regulations related to emergency access, fire prevention, and public health and safety codes. Underlying regulations on setbacks, lot sizes, and density do not apply to this type of subdivision.

The <u>Innovative Land Use Guide</u>⁸ has a Village Design Model Ordinance that municipalities may use to assist them in developing a village plan alternative subdivision. This model ordinance has been specifically formulated for use by New Hampshire communities and closely follows provisions of the State Statutes. Additionally, design guidelines have been formulated to ensure the use of this ordinance leads to the creation of traditional New England village style architecture.

Unlike cluster developments, the village plan alternative subdivision allows for a careful mixing of uses, allowing for the integration of commercial properties. Were this to be combined with inclusionary zoning it would be a highly effective tool for the provision of low-income housing.

Accessory Dwelling Unit Standards: An accessory dwelling or housing unit is generally defined as a small additional unit located within what is otherwise a single family home. Accessory apartments are increasingly allowed in traditional single family zoning districts as a means of providing inexpensive housing, usually for older or younger single relatives, in high-priced housing areas. Since these units are frequently intended for related individuals, they are often known as "in-law apartments" or "granny flats." Elderly relatives are the most common occupants of such units. Although typically accessory units are within a single family home, the conversion of other buildings or the construction of a small detached home on the same lot is sometimes allowed.

Accessory apartments allow elderly individuals to maintain a degree of independence while still receiving the support of family members. Where student housing is scarce, accessory dwelling units can provide a housing alternative within a family setting. For older or younger homeowners, the modest rent that may be received for such a unit may make home ownership a possibility that would otherwise not exist. Restrictive provisions keep the unit from being rented as a traditional apartment, thus maintaining the single family character of the area. Furthermore, because such units are usually not separated from the principal residence, they can readily be re-incorporated into the main dwelling.

Municipal zoning ordinances may permit accessory housing by right in certain zones, in all residential zones, or by special exception. Accessory unit provisions set the maximum number of square feet permitted to discourage more than one resident per unit, and do not allow a separate entrance, although some provide for an entrance to the side or rear. Frequently, separate mailboxes and addresses are not permitted. It is essential that provisions be included in the ordinance to maintain the single-family character of the area.

<u>Elderly Housing Zones</u>: Increasingly, elderly housing zones are a means by which communities are addressing the need for specialized housing for the elderly (usually in

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⁸ NHDES, NHARPC, NHOEP, NHMA. Innovative Land Use Planning Techniques. October 2008.

the form of multi-family housing) without allowing for general multi-family housing or overall increases in density. These usually take the form of overlay zones and function in a way similar to that of cluster ordinances. In most cases, elderly housing ordinances provide for a far higher density than allowed in the underlying zone, and contain a separate set of regulations and restrictions for the elderly district.

<u>Group Homes</u>: Group homes are an important means of providing housing for the elderly and special-needs groups such as de-institutionalized individuals, the homeless, handicapped, and other persons. Generally, a group home is a single-family residence that houses several unrelated individuals with common needs in a family-type setting. A typical home provides individual or shared bedrooms with common living areas.

A provision for group homes usually require that a community amend its zoning ordinance to provide a definition of "family" that allows a group home to be placed in a single family area. Since group homes are not subdivided, they are not considered to be multi-family housing. For example, an ordinance may define "family" to include ten unrelated elderly, handicapped or de-institutionalized individuals in addition to the traditional definition for zoning purposes, provided that the home is not subdivided and that the individuals live together as a single housekeeping unit. Group homes could also be considered under a special exception provision.

Group homes can provide a housing alternative for a wide range of special housing needs that are often difficult to address. By allowing individuals with common needs to live as a single housekeeping unit, the individuals benefit from the support of the group while living in a neighborhood setting. For the elderly, group housing can provide an affordable housing alternative while providing the security of having other residents within the house. For de-institutionalized individuals, a group home can provide for the transition between dependent living and independent living. The community benefits, since several special housing needs can be addressed without significant public participation. Private, non-profit groups are able to address the housing needs of several groups through the purchase of a single family home.

<u>Manufactured Housing</u>: Manufactured housing includes trailers or mobile homes as defined in RSA 674:31. State legislation mandates (RSA 674:32) all municipalities to provide reasonable opportunities for the siting of manufactured housing. Towns must either provide opportunity for manufactured home parks and individual lots in subdivisions or manufactured housing to occur on individual residentially zoned lots in most, if not all, residential zones.

In addition to their reliability, efficiency, and low cost, manufactured housing can also save on construction time. These housing types are suitable as infill units whenever lots are available; and they can fit in as single-family houses on their own lots in conventional neighborhoods. Manufactured housing parks can provide an important housing opportunity for low-and moderate-income groups. Since only the unit is purchased and the installation site (lot) is rented, the housing cost is relatively low. Mobile homes on individual lots, or in subdivisions, are a limited form of affordable housing due to the

very high land costs within the region. Although a manufactured home on its own lot may only cost ten percent less than a conventional home on a similar lot, the cost savings can make the difference in affordability for many moderate- and middle-income families.

<u>Multi-Family Housing:</u> Multi-Family Housing is defined as a building or structure containing 5 or more dwelling units, each designed for occupancy by an individual household. State legislation mandates (RSA 674:59) all municipalities to provide reasonable opportunities for the development of workforce housing, including rental multi-family housing.

Multi-family housing provides an important housing opportunity for low and moderate income groups. This type of housing also provides important opportunities for renter-occupied households in need of affordable housing. This type of housing can be used in conjunction with smart growth principles for mixed-use developments to promote sustainability as well.