Upper Valley Lake Sunapee Regional Housing Needs Assessment

Summary Report

February 2012

Full Technical Report Available Online:
www.uvlsrpc.org

Upper Valley Lake Sunapee Regional Planning Commission

UVLSRPC

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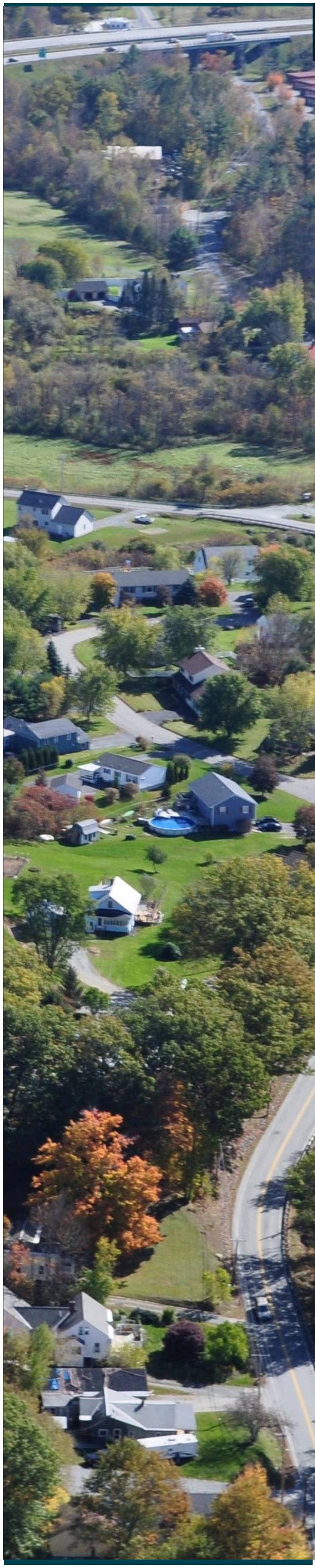

Acknowledgements

The Upper Valley Lake Sunapee Regional Planning Commission (UVLSRPC) would like to thank the following persons and organizations for participating in – or contributing to – the development of this comprehensive regional Housing Needs Assessment.

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US Census Bureau
New Hampshire Department of Employment Security
New Hampshire Office of Energy and Planning
New Hampshire Housing Finance Authority
Vermont Housing Finance Agency
Vermont State Housing Authority

Funding for the Upper Valley Lake Sunapee Regional Housing Needs Assessment was provided by the New Hampshire Office of Energy and Planning Targeted Block Grant, US Department of Housing and Urban Development Community Challenge Grant and municipal members of the UVLSRPC.

Executive Summary

Housing availability and affordability for all residents are critical components of the overall quality of life and economic stability in the Upper Valley Lake Sunapee Regional Planning Commission region. This Housing Needs Assessment reveals the current status of housing need, both housing availability and affordability and the projected future housing demand. The following points have surfaced as critical findings of this study and indicate a need for intermunicipal and regional planning approaches to address future housing needs.

Age Shift in the Population and Shrinking Households

The two most significant demographic changes of the 1990-2010 period center on the shifting age distribution of the population and decreasing household size. In 2010, 26% of the region's households were headed by a person aged 65 or older. By the year 2030, senior households could comprise about 48% of all households in the region (contributing to smaller household size.) The number of households headed by persons under 65 years old is predicted to decline if younger workers and families do not migrate into the area.

Housing Affordability at a Distance

Even after the housing market adjustments due to economic changes which began in 2008, there remains a major home price difference among sub-areas in the region. Home prices are highest close to the Lebanon NH-VT NECTA center: median primary home sale prices on the New Hampshire side of the NECTA are nearly double those in other areas. Differentials in rental costs among sub-areas in the region are not as significant, but rental availability remains low despite construction of new rental housing. During 2010 the major economic and population centers in the region - Lebanon, Hanover, Claremont and Newport contained 80% of the region's jobs and 50% of the housing.

Distribution of Housing and Jobs

Job growth in the UVLSRPC region is concentrated in central areas, while housing development is more dispersed. As of 2010, Lebanon, Hanover, Claremont and Newport contained 80% of the region's jobs. In 1990, these communities had 54% of the region's housing units, but by 2010 that ratio declined to 49% of the regional total. Between 1990 and 2010, the four principal job centers accounted for only 28% of regional housing growth; 72% of the net growth in the year-round housing stock occurred outside the four major job centers.

High Housing Cost Burden

In general, housing choice, availability and affordability decrease dramatically for households earning at or below the area median income within sub-regions. Estimates indicate approximately 36% of all households in the region have a ***high housing cost burden*** where housing costs consume more than 30% of the household income.

New Housing Production

The housing needs assessment projections include housing demand, supply, cost and affordability, regional economic conditions and the distribution of affordable housing. The housing production model projects a need for the UVLSRPC region to add 3,800 to 4,600 total year-round housing units from 2010 to 2020, or approximately 380 to 460 new units per year. About 41% of these units (up to 190 units per year) should ideally be affordable at income levels defined by New Hampshire Workforce Housing Statutes at RSA 674:58, IV. These production estimates would allow for housing supply to keep pace with regional employment and population growth.

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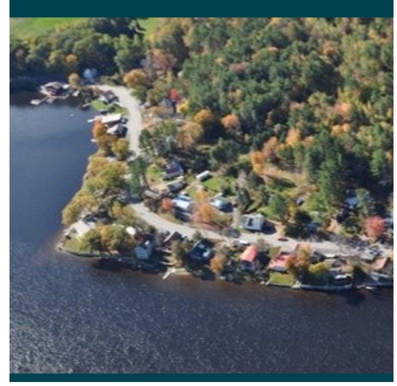


Introduction

The Housing Needs Assessment for Upper Valley Lake Sunapee Regional Planning Commission (UVLSRPC) region has been prepared in accordance with NH RSA 36:47, II, to assist municipalities with understanding the housing needs of all residents of all levels of income and ages. The findings in this report provide municipalities the opportunity to gain an understanding of the demographic and economic ties of housing among communities in the region.

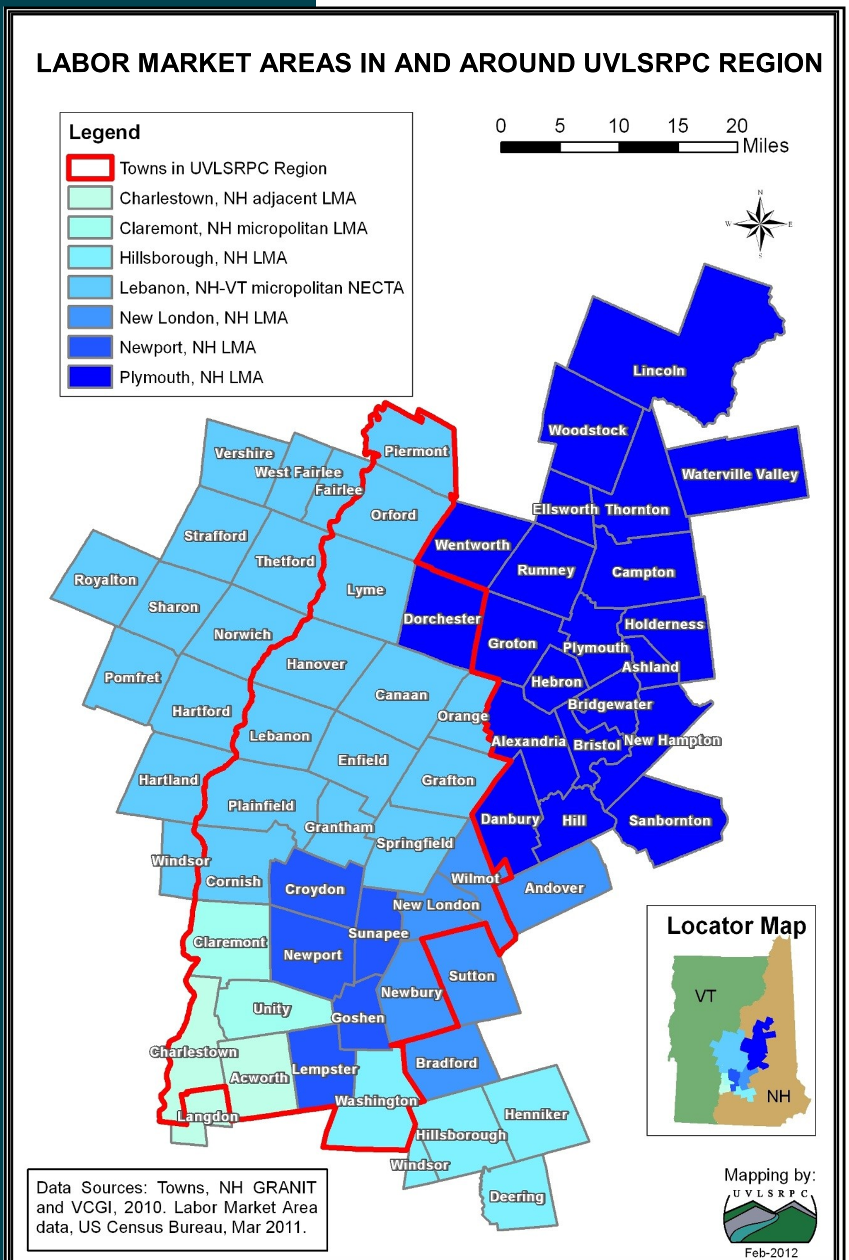


Figure 1

The information within the Housing Needs Assessment will provide valuable resources to community leaders who seek to change policies to enable a more diverse housing stock to accommodate a range of housing needs.

Detailed tables, data and analysis are available in the Housing Needs Assessment Technical Report.

Housing Needs Assessment Components

This Housing Needs Assessment is based on a traditional market analysis approach. While there are a number of Census-based labor market areas within the study area, each with unique socio-economic dynamics, the purpose of a housing needs assessment in New Hampshire is to derive an overview of regional needs to which local communities can respond in their long-term master plans. Detailed tables, data and discussions of methodology are available in the Technical Report for this Regional Housing Needs Assessment at www.uvlsrpc.org.

Geographic Areas of Analysis

The geographic focus of the Housing Needs Assessment is the Upper Valley Lake Sunapee Regional Planning Commission (UVLSRPC) region, as defined by the State Office of Energy and Planning. Detailed demographic analysis and housing supply projections were prepared for both the UVLSRPC region and for the Lebanon, NH-VT Micropolitan NECTA, which includes portions of Windsor and Orange Counties in Vermont (see figure 1). Portions of the Needs Assessment also compare, at a less detailed level, the differentials of home price, rental cost, wages and other data for other New Hampshire labor market areas partially within the UVLSRPC region.

Overview of Data Collection and Analysis

Because of the limitations presented by new methods of Census Bureau sampling, it is necessary to develop methods of estimating housing needs that are not exclusively dependent on federal data sources. Data sources for these analyses include:

- US Census population and household information for 1990, 2000 and 2010.
- US Census American Community Survey (ACS) data from the 2006 to 2010 a 5-year sample of the region.
- Detailed housing market and assisted housing information from the New Hampshire and Vermont state housing agencies.
- Building permit histories from Census and state databases.
- Employment and wage data from the Economic and Labor Market Information Bureau of New Hampshire Employment Security and Vermont Department of Labor.
- Property tax and assessed valuation data from the NH Department of Revenue Administration

Additional data sources provided local information specific to the study area to round-out the above sources. These data, collected by the Upper Valley Housing Coalition (UVHC), provide useful quantitative and qualitative information. These sources are:

- Regional Rent Survey: The UVHC has been collecting quarterly information since 2010 on listed rentals as part of an effort to track the number, type, location and cost of rental units in the bi-state Upper Valley area.
- Regional Employee Housing Survey: UVHC, BCM Planning, LLC and the Commission developed a survey directed at regional employees to obtain an understanding of employee commuting and housing preferences. The survey results in this report will serve as a baseline and UVHC will administer this survey periodically to develop a broader understanding about regional housing trends.

Quick Housing Glossary:

Affordable Housing: Typically used to refer to housing with legal mechanisms to ensure availability to low and moderate-income households.

Assisted Rental Housing Units: Assisted housing developments are housing facilities that provide subsidized or below-market rental housing units for low and very low income households.

Fair Share: A fair share analysis is necessary only if and when a community wishes to claim that it is exempt from providing reasonable and realistic opportunities for the development of new workforce housing. Municipal accommodation of a reasonable proportion of the low to moderate income housing needs of a market area or region.

Gross Rent: The cost of rental housing to a tenant including rent paid plus any additional utility costs.

Households: The number of occupied dwelling units. Households are divided into two categories of tenure: homeowners and renters.

Housing Cost Burden: The percentage of total household income that is spent on gross monthly housing costs.

Labor Market Area: Geographies that represent an economically integrated region within which workers can readily change jobs without changing their place of residence.

New England City and Town Area (NECTA): Areas within an urban cluster with a population of 10,000 to 50,000 with adjacent cities and towns that have a high degree of social and economic integration as measured through commuting ties.

Workforce Housing: is a term used to describe a variety of housing types that are generally affordable to people in the workforce who have earnings that range up to what might be described as "middle income." In the statute, "workforce housing" specifically refers to housing that is affordable for those families whose income is at or below the median income level for a specific region. In the statute, it is defined as: Housing for sale which is *affordable* to a household at or below 100% of the area median income (AMI) for a 4-person household; or Rental housing *affordable* at 60% of the AMI for a 3-person household.

Demographics

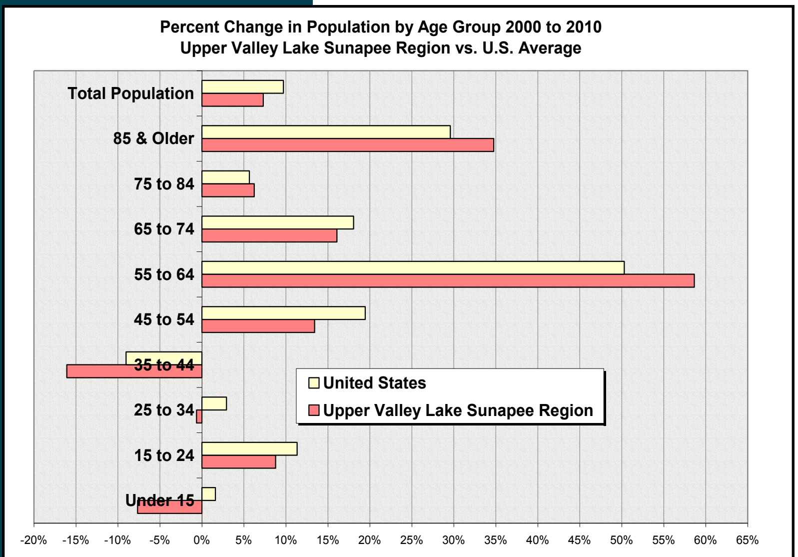


Figure 2

In 2010 the population of the region serviced by UVLSRPC was 89,552 (see figure 3). Important drivers of housing demand are the traditional first time buyer market (age 25 to 34) and move-up buyer market (age 35 to 44). Both of those population groups were smaller in number in 2010 than in 1990. If historic trends continue, population growth will shift toward an older population. While 13.8% of the region's population was age 65 or older in 1990, the proportion in 2010 rose to 16.4% and will continue to rise over the next 20 years, reaching an estimated 34% by 2030.

The two most rapidly growing age segments between 2000 and 2010 in both the UVLSRPC region and the nation were in the aging baby boomers 55-64 and age 85+ population groups as depicted in figure 2.

New Hampshire and other northern New England states have low birth and fertility rates relative to the US; consequently, the percentage of the regional population that is under age 15 is considerably lower than the US average.

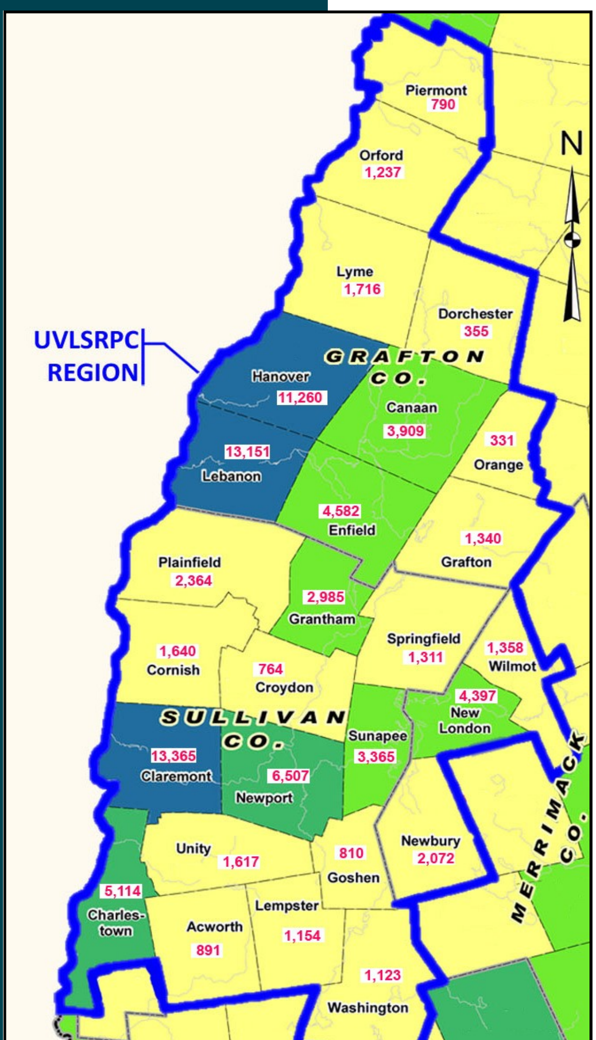


Figure 3—2010 Census Population - UVLSRPC (NH OEP)

Household Income

Household income is a principal factor in assessing whether housing is affordable to residents, which in turn provides an assessment of the housing need (i.e.: Is there need for additional workforce housing?). The percent distributions of income by tenure (homeowners and renters) are derived from the 2006-2010 ACS sample data (see figure 4). Household income is expressed as a percentage of the Area Median Family Income (AMFI) as defined by the U.S. Department of Housing and Urban Development (HUD). HUD defines "very low income household" as households that earn under 50% of AMFI and "low income" as households that earn between 50% and 80% of AMFI.

In New Hampshire, the NH statute uses a maximum income standard of 100% AMFI for homeowner families of four, and 60% AMFI for a renter family of three to define workforce housing standards.

The workforce housing income standard in this study serves as a benchmark for affordability and provides an estimated housing cost burden in order to better understand the impact of incomes on affordability. Approximately 41% of households that are headed by those under 65 years of age have incomes at or below the workforce housing income standards.

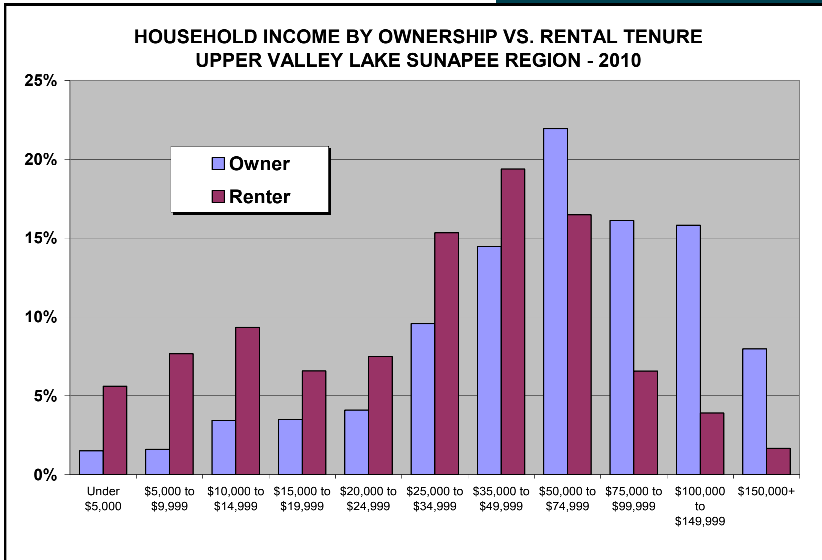


Figure 4

Housing Trends

The study period in this report, 1990 to 2010, provides two decades of information to track housing trends, particularly the rate of ownership and rental housing growth and the age of heads of households and how they changed over time.

Overall, the number of households in the region increased by 13.8% between 1990 and 2000 and by 10.9% between 2000 and 2010. A recent trend in construction of rental housing has provided an increased housing diversity and has helped improve the housing opportunities and choices for residents.

Household Size

From 1990 to 2010, average household size in the region declined from 2.51 to 2.31 persons per occupied housing unit. During the 2000 to 2010 decade, growth in 1 and 2 person households accounted for 93% of total household growth. Larger households with four or more people make up a relatively small percentage of total households (17.8% in 2010). The total number of these larger households has not increased over the past 20 years.

REGIONAL RENTAL HOUSING DISTRIBUTION

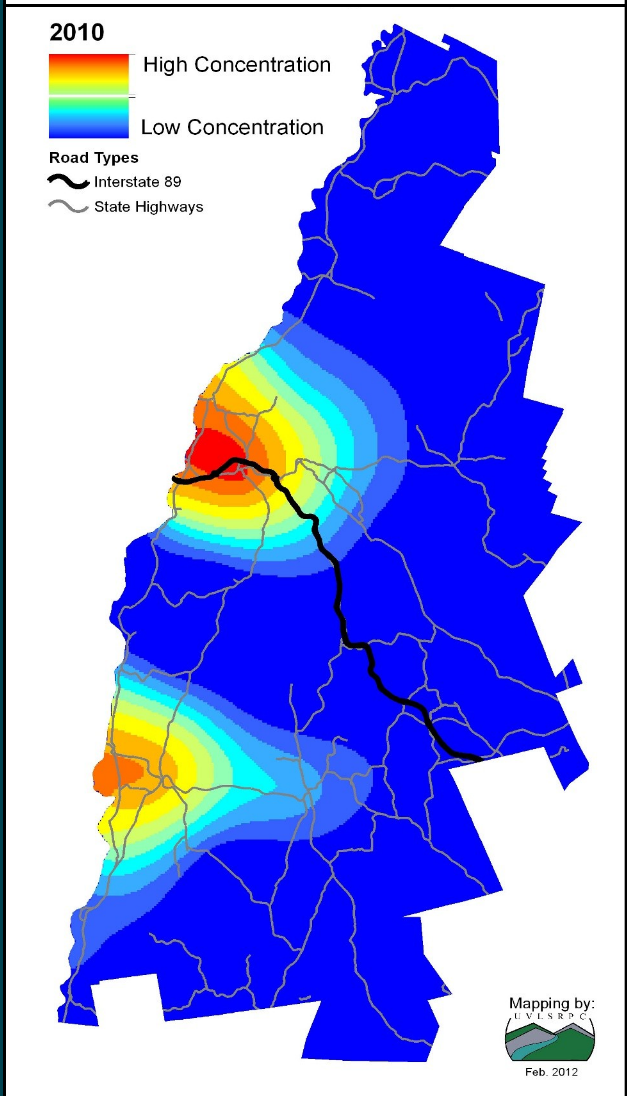


Figure 5. Are there rental 'hot spots' in the region? Rental units appear to be concentrated in and around the region's cities.

Households by Age Group and Tenure

This study tracks the age of the heads of households. The ages of heads of households serve as a useful analysis tool when cross-referencing housing information with other demographic statistics and understanding long-term housing trends. Analyzing households by age reveals important information about relationships between housing and age cohorts in the population:

- There was a steep decline in the number of households within the 25 to 34 year-old age group between 1990 and 2000. A similar decline in households occurred for the 35 to 44 year-old age group from 2000 to 2010 (see figure 6).
- These sequential declines in households are balanced by increases in the older household age groups as the younger population ages and is not replaced at the same rate.
- The number of households headed by those under 65 years old vs. senior households (age 65+) was about the same from 1990 to 2000. However, between 2000 and 2010 the rate of growth in senior households was double the rate of increase for those households headed by people 65 years of age and under.
- In 2010 the senior household (age 65+) cohort represented about 26% of the heads of households in the UVLSRPC region. Projections prepared for this Housing Needs Assessment indicate that households headed by seniors will comprise 37% of households by 2020 and 48% of the households by 2030.

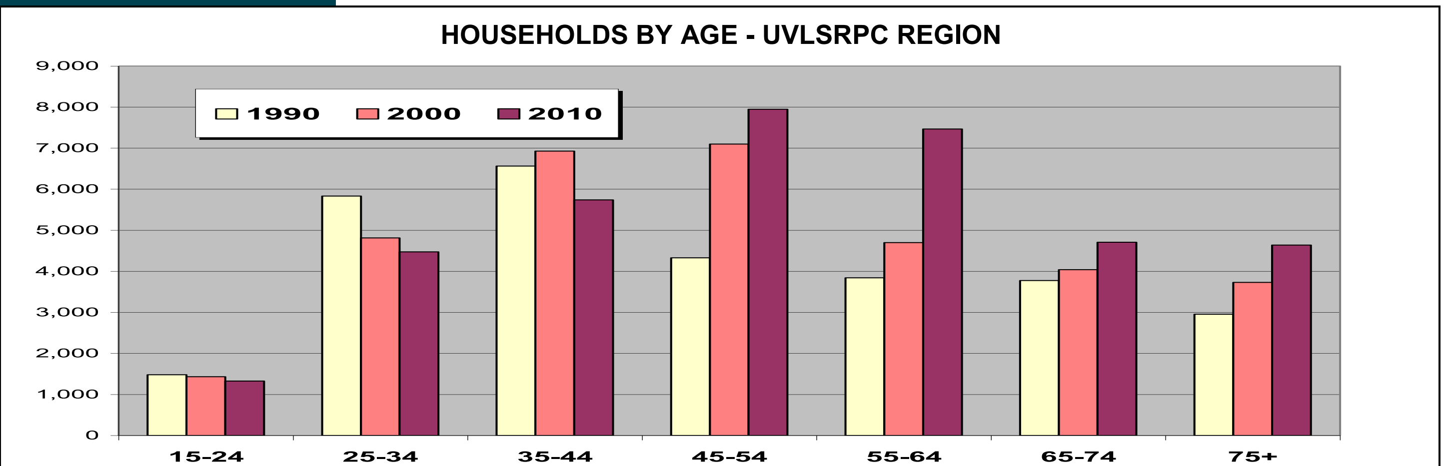


Figure 6

Regional Housing Supply

In 1990, vacancy rates in housing were considerably higher than those in 2000. The total rental stock grew only 0.4% between 1990 and 2000 but by over 19% between 2000 and 2010.

A recent increase in multi-family and rental housing developments in the region was a response to market demand for smaller, more affordable units. This supply was badly needed given lower rental vacancy rate in 2000, following a decade that produced virtually no increase in the rental supply. Rental housing has been and will continue to be an important resource particularly for the youngest and oldest segments of the population.

There are 1,539 assisted rental housing units within the UVLSRPC region, serving about 14% of the region's renter households. Sixty percent of these units are restricted to occupancy by elderly and disabled residents and many others are occupied by senior households. Only 7% of renters under 65 live in an assisted housing development, as compared to 43% of all renters age 65 or older.

The primary concentrations of assisted rental housing units are located in Lebanon, Claremont and Newport, New Hampshire. Within the Vermont portion of the NECTA, assisted rental developments are concentrated principally in Hartford and Windsor. Most of the assisted rental inventory was constructed 30 to 40 years ago under federal funding programs that are no longer available. This lack of financial resources makes it increasingly difficult to assist the lowest income renter households, leading to a greater gap in affordability.

REGIONAL OWNERSHIP HOUSING DISTRIBUTION

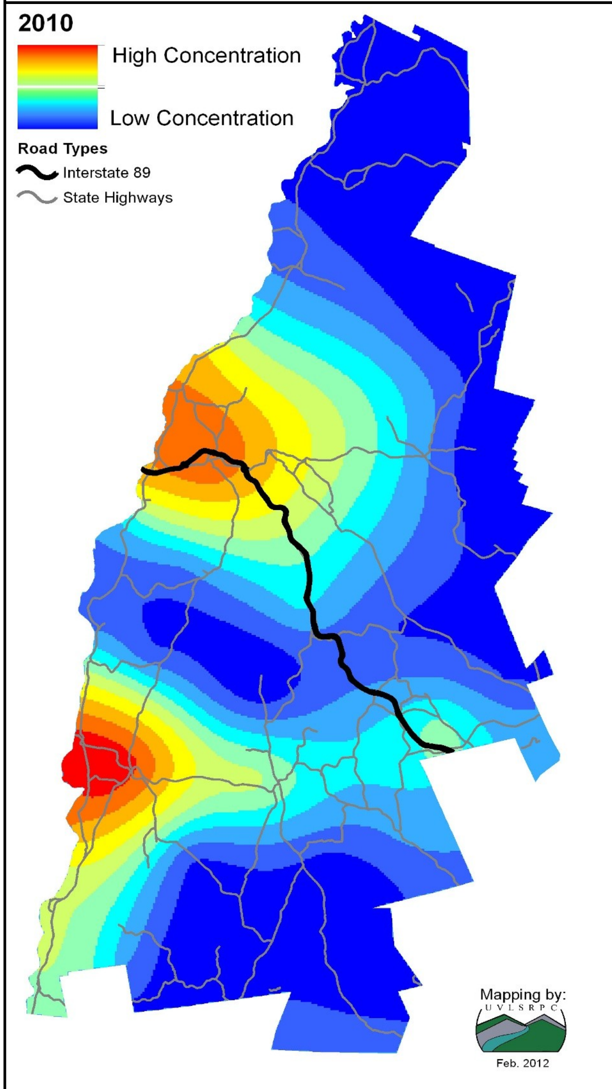


Figure 7. Homeowner households are more dispersed throughout the region than renter households.

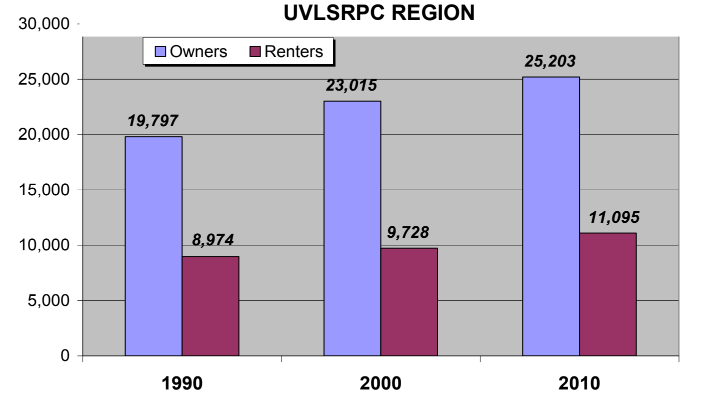


Figure 8

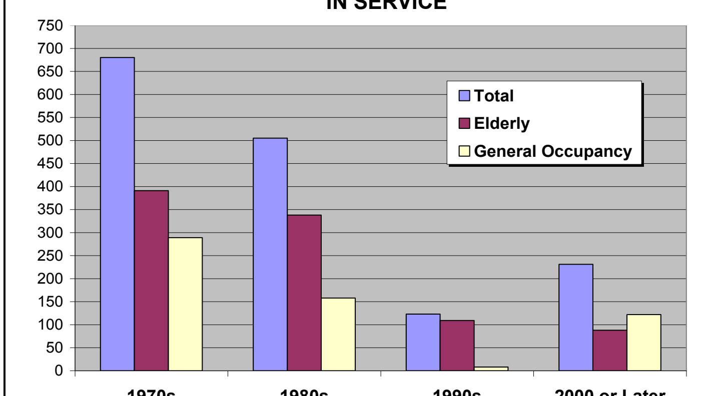
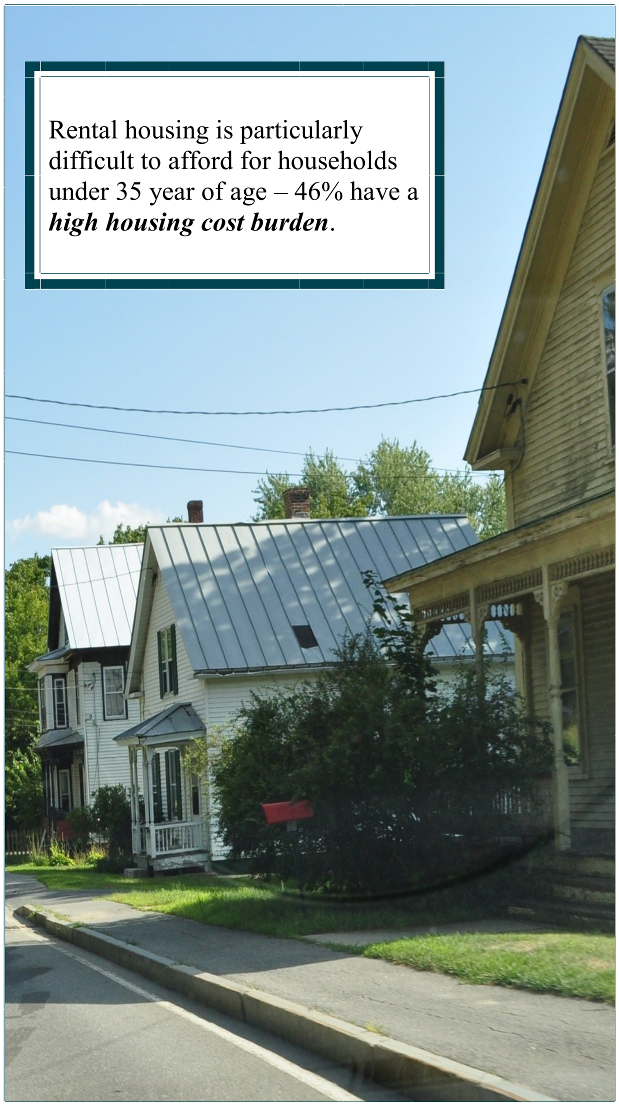


Figure 9

Housing Cost Burden

Rental housing is particularly difficult to afford for households under 35 year of age – 46% have a ***high housing cost burden***.



Levels of "housing need" often refer to a housing cost burden level (percent of income devoted to gross monthly housing costs). The following bullets summarize the estimated regional levels of housing cost burden based on 2010 housing costs and household income levels:

- ***High Housing Cost Burden*** (at least 30% of income is used for housing): There are an estimated 12,897 house-holds (36% of all households in the region) who have a ***high housing cost burden***. The most significant cost burden ratios exist for homeowner households with incomes under $50,000 and renter households with annual incomes under $35,000. A distribution of ***high housing cost burden*** by age group is outlined in figure 10.

- ***Very High Cost Burden*** (at least 40% of income is used for housing): There are 7,659 households that have a ***very high cost burden*** (21% overall, 18% of owner households and 28% of renter households).

- ***Severe Cost Burden*** (at least 50% of income is used for housing): There are over 5,085 households (14% overall, 13% of homeowner households and 17% of renter house-holds) that have a ***severe cost burden***.

Housing cost burden data for homeowners in the Lebanon NH-VT NECTA (including 12 Vermont communities) is about the same as the UVLSRPC regional average. However, renter households living in the NECTA have proportionately higher rental costs relative to their income.

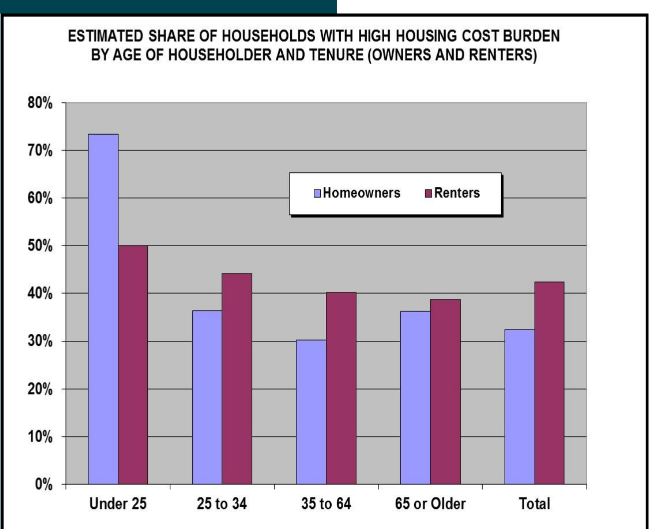


Figure 10

Overall, 42% of all renters and 33% of all homeowners in the UVLSRPC region spend 30% or more of their gross income on monthly housing costs (see figure 12). The highest prevalence of high housing cost burden is found among the youngest households:

- There are few homeowners in the under-25 age group, but 70% of those that do have a high housing cost burden. This is a significant number of homeowners that are stretched financially.

- Rental housing is particularly difficult to afford among households under 35 years of age. In that age group, 46% have a ***high housing cost burden***.

Ownership and Rental Cost Trends

Home Price

Between 2000 and 2008, the median sale price for a primary residence nearly doubled. The increase in median price was realized throughout the region, although considerable differences in price exist between sub-regions. Following 2008, median price dropped sharply throughout the region.

The data suggest that an adjustment in pricing relative to economic conditions and actual household incomes has probably improved the overall affordability of primary homes. Current lower mortgage interest rates and home buying incentive programs such as the Federal home purchasers tax credit in 2010, should have increased the number of qualifying buyers, but tighter credit standards and economic stability have deterred that advantage.

The distribution of primary home sales by price range within the Lebanon, NH-VT NECTA shows that Vermont has a greater share of lower priced homes. When sales in the Vermont portion of the NECTA are compared to sales in Orange and Windsor Counties in VT, another price difference is apparent; sales prices in the Vermont portion of the NECTA are substantially higher than in the outlying areas of each county by about 29%. As is demonstrated by the prices in figure 11, the median sale price in the New Hampshire portion of the Lebanon NECTA is about 26% higher than in the Vermont portion.

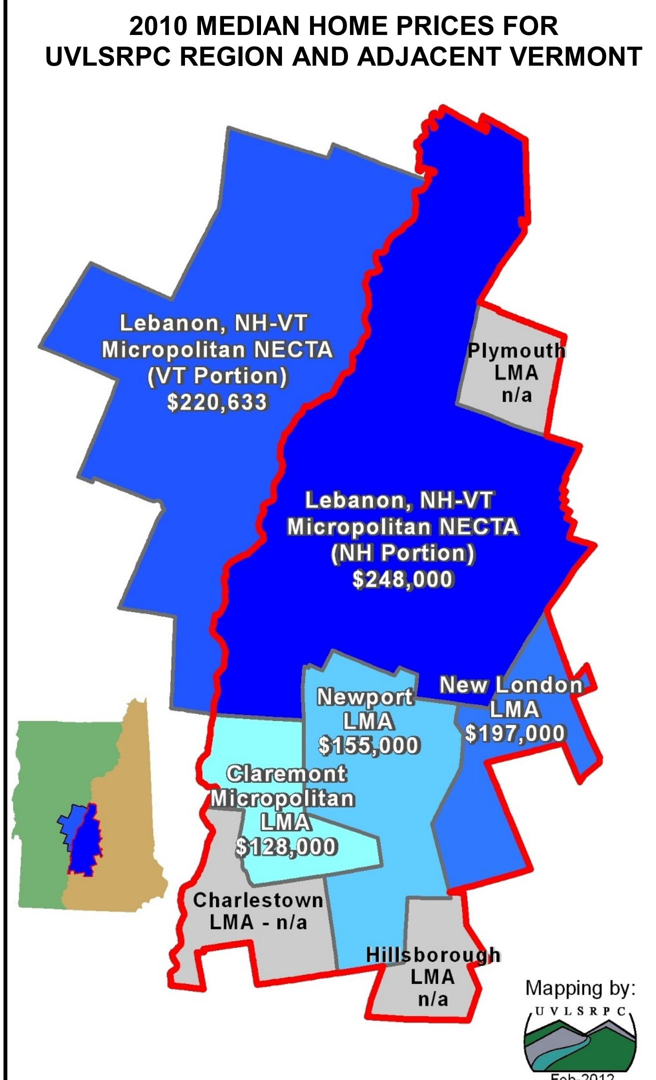


Figure 11

Market Rental Costs

Differences in rental costs between geographic sub-areas in the region are not as extreme as the differences in home prices. The distribution of gross rents indicate almost no availability of rental housing under $600 per month. Rents at this level are typically available only in assisted rental housing units which are limited in supply. As of 2010, about 41% of the market rate units in the region would be affordable to workforce households where the gross rent is less than $900 per month. Renters who make the median wage can afford much of the available rental stock, but renters with household incomes below the workforce benchmark will have difficulty affording the median market rent.

It is possible that today's stricter access to credit in mortgage lending may limit the ability of some renter households to make a transition to ownership. This would put more pressure on the rental market to supply affordable housing, particularly when unemployment rates are low.

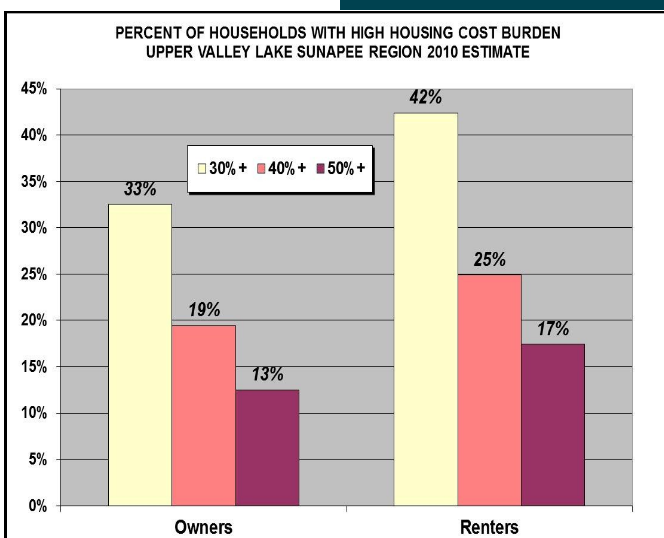


Figure 12

"Housing opportunities and choices relative to distance from the workplace will have long term effects on consumer costs for commuting and social consequences such as decreased time with friends and family, difficulty coordinating child-care and other needs and reduced opportunity for community and volunteer involvement."

When asked what factors were "very important" to survey respondents in deciding where to live:

- 87% chose quality of life
- 73% chose good quality housing
- 68% identified housing costs
- 51% said proximity to family and friends
- 47% chose convenience to services, child care and quality of schools.

Commuting in the Region

A component of the jobs/housing balance is the distance, travel time and cost involved in the journey to work. The average travel time to work in the region in 1990 was 17.7 minutes, which increased to 22 minutes in 2010. This represents an average 25% increase in travel time per commuting worker.

An employee may realize more economic benefit to commuting from areas outside employment centers where housing costs may be higher. Because of the significant price differences in the region, cost of housing greatly outweighs the cost of commuting in the Lebanon NH-VT NECTA. An employee may have a choice between two houses that are otherwise equivalent in quality: one with a 5-mile commute and another with a 30-mile commute. The shorter commute could save him/her $200 each month in vehicle costs, which could increase their capacity to pay up to $43,000 more for a house closer to work. However, the regional variation in housing cost indicates a potential savings in housing cost could be as much as $120,000 or more for that 30 minute commute; making the less expensive house with a longer commute a logical personal economic choice.

As commuters drive farther, additional costs are incurred by the commuter (e.g. fuel, automotive maintenance, etc.) and also by local and state governments (e.g. costs to increase travel capacity and maintain safety). Housing opportunities and choices relative to distance from the workplace will have long term effects on consumer costs for commuting and social consequences such as decreased time with friends and family, difficulty coordinating childcare and other needs and reduced opportunity for community and volunteer involvement.

Regional Housing Survey of Employees

A Regional Housing Needs Survey conducted in collaboration with the Upper Valley Housing Coalition (UVHC) was taken by approximately 450 people working in the region. The survey included questions designed to better understand housing needs and preferences and the issues experienced by the region's workforce. Many (77.2%) respondents own the home that they live in, and 19.2% rent their housing.

When asked what factors would be "very important" in choosing a new home:

- 85% identified good quality housing
- 80% identified quality of the neighborhood
- 82% chose housing cost.

Respondents for the most part (87%) travel by car to work and 81.1% are alone in their automobile, while 5.9% are carpooling to work. Several people noted that they had either moved or changed jobs to shorten their commute. Three people commented that they chose to live equal distance between their employer and their spouse's employer. The survey results indicate that while some households may want to live closer to work, their first priority was affordable, quality housing in a good neighborhood, even if that requires a sacrifice in convenience to work, shopping or other services. Some respondents indicated that affordable prices closer to work might be desirable but were not available.

Of the total renters participating in the survey, 69% plan to own a home someday but there are some limiting factors involved. The inability to afford the down payment cited by 62% of renters was a very important reason for renting at the present time and 48% said that not being able to find an affordable home close to work was a very important factor. When asked what type of home they would consider owning in the future, 86% said they would definitely consider a single family detached house (only 1% would **not** consider owning a single family home).

A large number of respondents commented that home ownership in the core of the Upper Valley was too costly; some homeowners had been in their homes for years and said they could not afford to buy today. Others have chosen to rent so that they could be closer to work or other amenities.

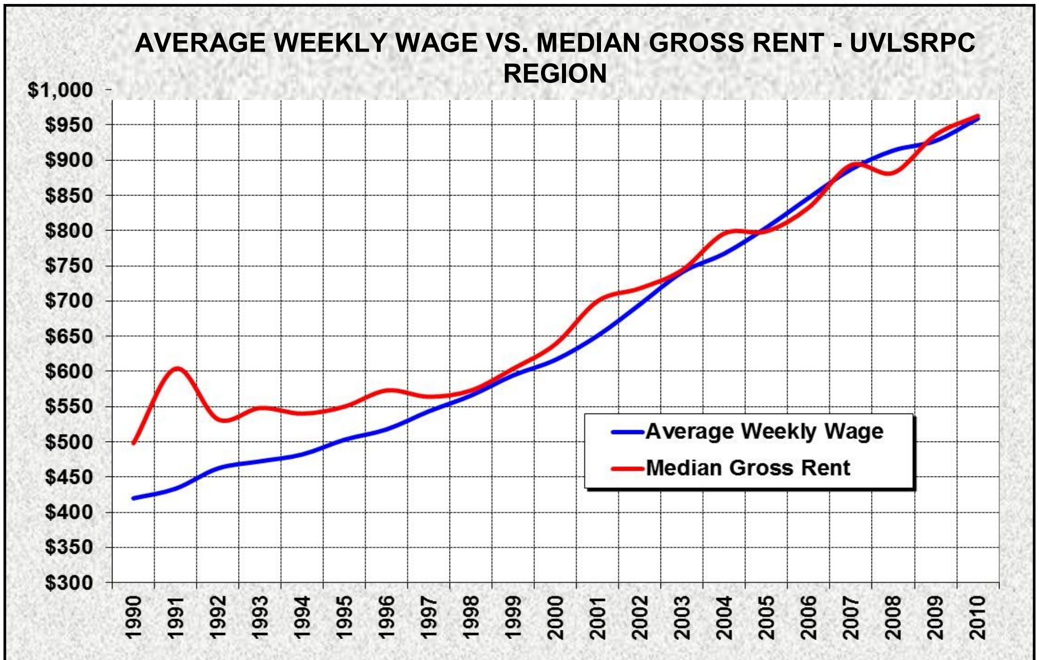
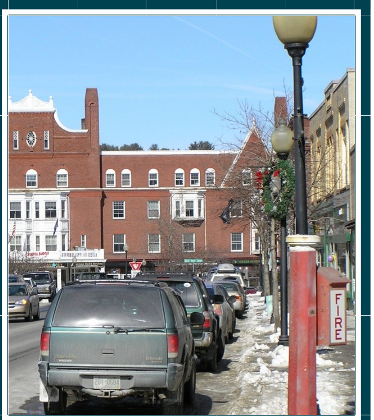


Figure 13



The Upper Valley Housing Coalition conducted a survey of advertised rents for September 2011. The rent survey indicated that:

- 66% of the listings were located in NH, 33% in VT
- About 35% of all the entries are single-family homes
- The estimated median gross rent was $1,200

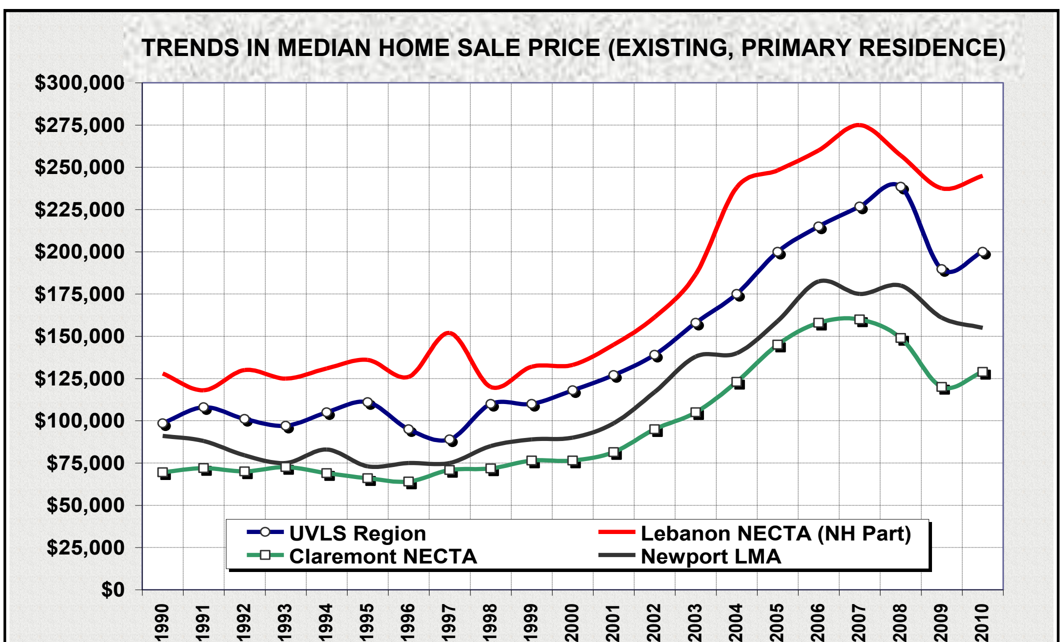
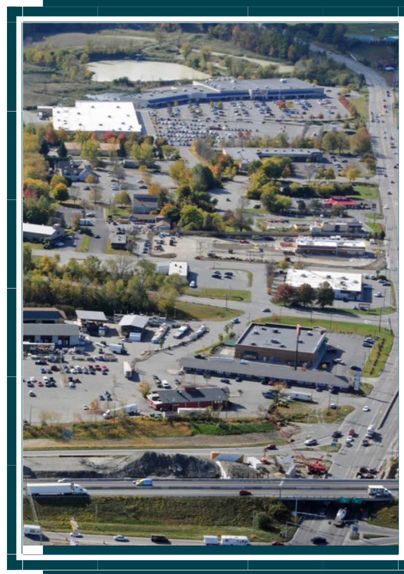


Figure 14

Regional Economy and Housing

Economic conditions and regional employment opportunities relate directly to regional housing availability, choice and diversity. The UVLSRPC region enjoys a lower unemployment rate than the other parts of the state or the nation as a whole. Between 2008 and 2010, the region showed the first significant net loss in jobs in 20 years. Relative to the state, the region has a high concentration of jobs in the healthcare and social service sectors with above average concentration of jobs in agriculture, mining, manufacturing and information sectors. The Claremont, Charlestown and Newport labor market areas have a significant portion of the regional manufacturing jobs while healthcare, education and other service jobs are more prominent in the Lebanon NH-VT NECTA.



The average wage paid by industries in the UVLSRPC region in 2010 was $959 per week, or an equivalent annual wage of $49,868. At a 30% housing cost ratio (the % of wages used for housing), this income supports a $1,250 per month housing budget, this could also support the median gross rent in the area but would be insufficient to afford a median priced home without a second household income.

Affordability problems occur more frequently among those who are in lower wage sectors or in entry-level positions. Average entry-level wages in some of the largest occupational sectors range from about $9 to $20 per hour. At $11.50 per hour, a single wage earner could afford a monthly rent of $624 per month. Market rate rents at this level are virtually non-existent.

As the number of jobs in the region continues to grow there will be more demand on the housing market to support the labor force. At the same time, the demographics show a decline in the labor force under 65 years of age. This may make it increasingly difficult for employers to fill their needs. Increasing the availability of affordable housing, particularly rental units, may make it easier to attract the workforce needed in the future.

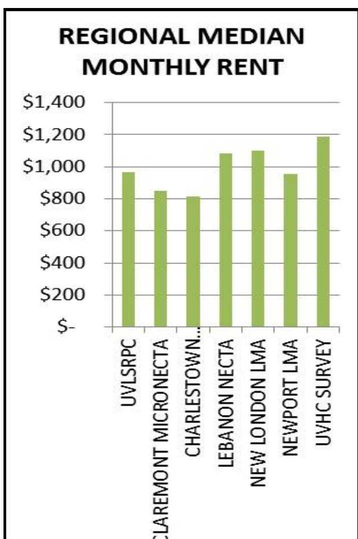


Figure 15

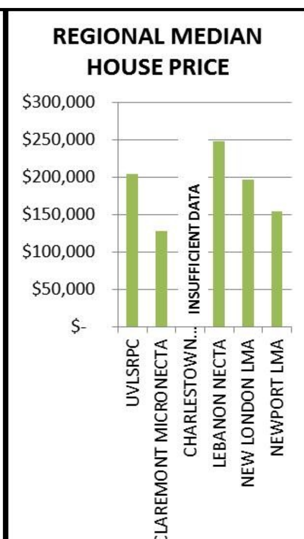


Figure 16

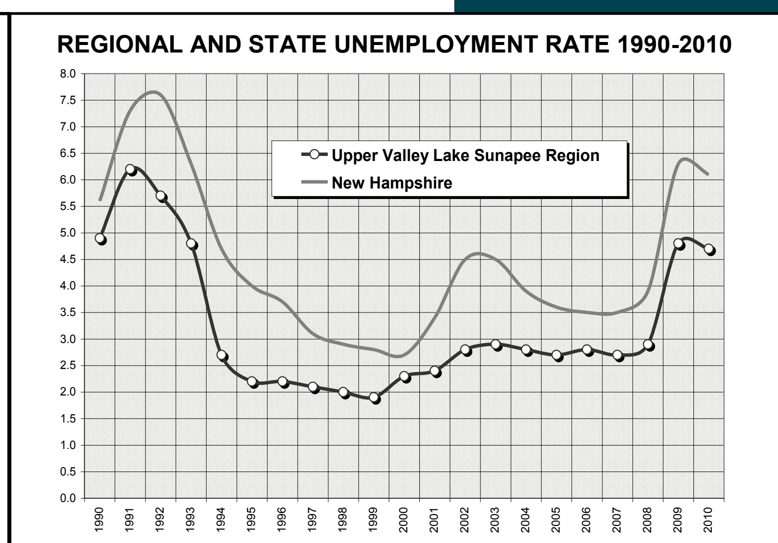


Figure 17

Job Growth Trends

Job growth in the region was over 20% from 1990 to 2000, but only 3% from 2000 to 2010. The region's long term (20 year) average annual job growth was about 1.2% per year. The New London and Charlestown labor markets have shown net growth during this period, but there have been net losses in Newport and Claremont since 2008. There is evidence, however, of employers in Newport and Claremont increasing jobs since 2008.

The projection of regional and statewide employment issued in 2010 by New Hampshire Department of Employment Security, forecasts job growth at an average annual rate of 1%.

Most of the net growth in employment is expected to be in the largest two existing job sectors of the Commission's region: health care & social assistance and educational services. Historical data and the existing concentration of these employment sectors suggest Lebanon and Hanover will continue to be centers of job growth. There is substantial capacity for job growth in the Claremont, Charlestown and Newport employment centers to recover job losses that occurred during the recession.

Jobs are not the sole basis for growth in the housing supply; the region tends to support consistent ratios between year round housing stock, households and employment. Overall, the UVLSRPC region has about 0.80 year round housing units per job. If senior households (age 65+) are excluded from the ratios, at least 0.60 housing units per job are needed just to support the younger portion of the labor force.

In the Lebanon NH-VT NECTA, the 2010 average weekly wage in the New Hampshire portion was 40% higher than the average in the Vermont portion.

The availability of higher wage jobs in the New Hampshire part of this market area provides an incentive for Vermont residents to work in New Hampshire.

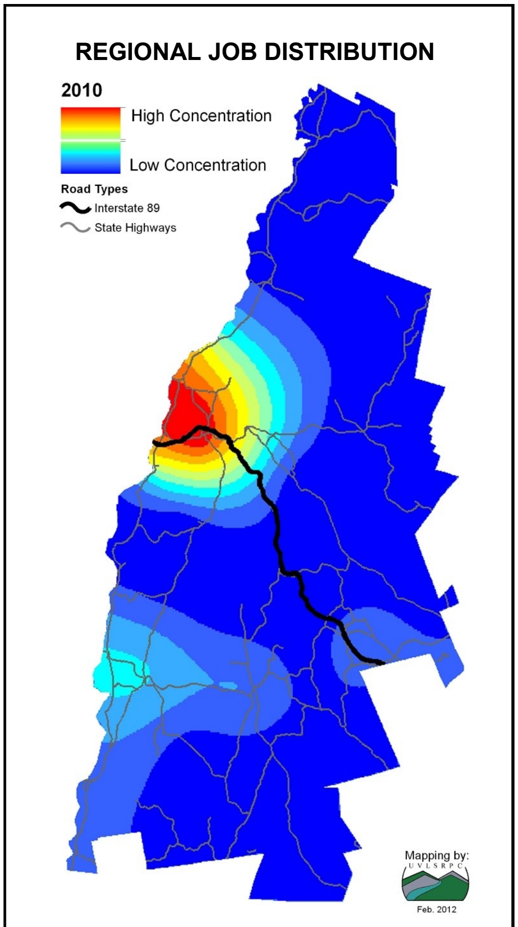


Figure 18

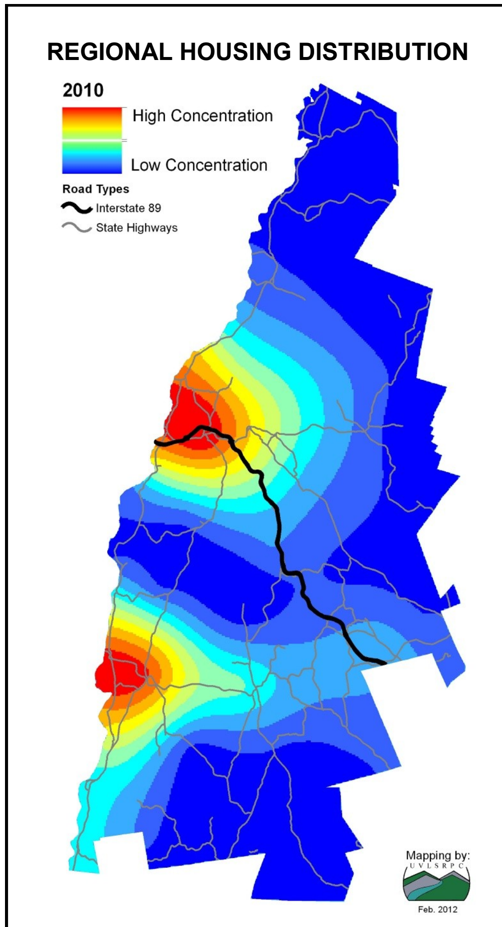


Figure 19

Housing Supply Projections

The primary purpose of housing supply models is to project the number of households and the total year-round housing stock needed to support housing choice within the region. Details of housing projection methodologies are documented in the Housing Needs Assessment Technical Report.

Results for the UVLSRPC Region

The ***population-based*** housing productions model projects a need for the construction of about 4,515 housing units between 2010 and 2020 which averages to approximately 451 units per year. The ***employment-based*** model projects the need for about 3,780 to 4,611 units between 2010 and 2020, determined by the estimated annual employment growth rate. The need for workforce housing is projected to be between 1,550 to 1,891 units, or between 16% and 42% of the total units that may need to be constructed. The projection of 3,780 to 4,611 units over a 10-year period is comparable to the total number represented in historical building permit data for the ten calendar years 2000 and 2009, which saw 4,673 housing units authorized by building permits.

Results for the Lebanon NH-VT NECTA

The ***population-based*** housing production model for the Lebanon NH-VT NECTA indicates a need for about 3,705 units over the 10-year projection period between 2010 and 2020. The ***employment-based*** model, using a 1% annual average growth rate in employment results in a need for about 3,346 housing units to be constructed over the next 10 years. However, using the historical 20-year average of 1.66% per year employment growth rate, there would need to be over 5,540 units in order to maintain the housing/jobs ratio that is currently within the NECTA. Using the 1% growth rate, of the 3,346 units, between 1,171 and 1,939 of these units should be considered to be workforce housing in order to accommodate the projected population. A general projection for the NECTA is that between 3,346 and 5,540 housing units should be constructed in the next 10 years. For historical reference, building permit activity from 1990 to 1999, totaled 2,143 units. During the 2000-2009 period, the total was 3,539.

Discussion of Production Projections

A strict model of future housing needs based on age and owner/rental tenure relationships would indicate that ownership units will dominate housing production needs in the coming years. This would be true only if 2010 age/tenure relationships remain constant, and if the housing constructed is sufficiently affordable. During the last decade, overall production rates declined. If homeownership rates decline further, a greater portion of production will need to be devoted to rental housing. In addition, an expanded role for rental housing is called for if the region wants to attract and retain younger workers to meet labor demands.

The assisted rental housing supply is a significant resource for seniors and other renters, but this inventory is relatively old with limited new units being proposed or constructed. Most of the assisted rental housing in the region was built 30 or 40 years ago funded by programs that are no longer available. Affordable housing initiatives should seek to find solutions that integrate both dedicated assisted rental housing facilities and continued use of rental subsidy vouchers to allow low income households the opportunity for affordable housing.

Summary Discussion

This summary overview emphasizes the factors that have the most critical impact on existing and projected housing demand.

Demographic Trends

Demographic analysis shows that the UVLSRPC region has experienced steady population growth since 1990, in part because it has thriving employment opportunities. The region has unemployment rates that are well below state and national averages. The two most significant demographic changes between 1990 and 2010 are the age distribution of the population and household size. Between 2000 and 2010, the most rapidly growing age groups were in the 55-64 year old and 65+ age cohorts. The population growth rate for the 65 and older segment is out-pacing the under 65 group. By 2030, households headed by a person age 65 or older may comprise 48% of all households in the region. Ten-year projections point to a decline in the labor force under 65 if younger workers do not migrate into the area.

Surge in Rental Supply, Ownership Rate Down

The region has had a homeownership rate of about 69% to 70% over the past 30 years. The homeownership rate declined across all age groups between 2000 and 2010, consistent with trends in NH and nationally. The recent increase in multi-family and rental housing developments in the region was a response to market demand for smaller, more affordable units. This supply was badly needed given the very low rental vacancy rate in 2000, following a decade that produced virtually no increase in the rental supply. Rental housing has been and will continue to be a particularly important resource for the UVLSRPC region.

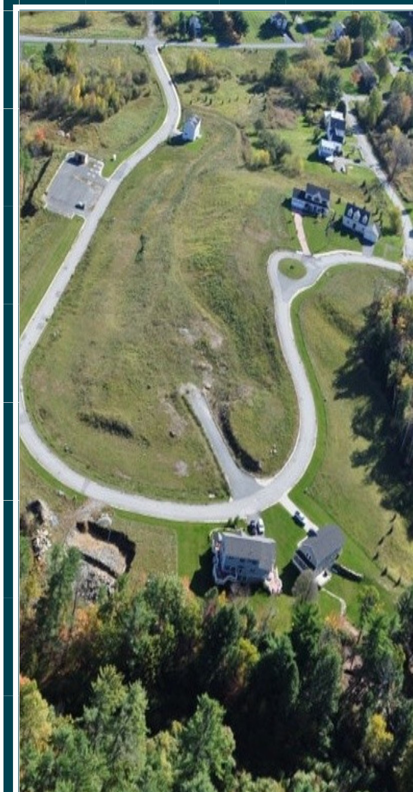
Buyers Seeking Affordability Commute Further

There are major home price differences among the subregions of the UVLSRPC region. Home prices are highest close to the job centers of the Lebanon NH-VT NECTA. Many households will opt for housing that is a greater distance from employment centers if these regional price differences persist, or if there is limited housing stock or poor quality housing closer to jobs. In the rental market, differences in median rental costs among sub-regions are not as great. Average commuting time of residents has increased by about 25% since 1990. A recent survey of area employees by the Upper Valley Housing Coalition shows that affordability of housing, particularly for homeowners, appears to be a larger concern over commuting distance when choosing a home.

Thousands Have High Housing Cost Burden

Nearly 13,000 households in the UVLSRPC region (36% of all households - 33% of owners, 42% of renters) have a high housing cost burden - paying 30% or more of their household income on housing costs. Over 5,000 of the Region's households (14% of all households - 13% of owners, 17% of renters) have a severe cost burden - paying 50% or more of their income on housing costs. Housing affordability impacts younger households the most, which comprise the largest portion of the workforce earning entry-level wages.

Employment Does Not Guarantee Affordable Housing



After 2008, the nation's economy has slowed and unemployment has increased substantially. The Region suffered job loss during this period, but not as severely as national trends due to a relatively strong regional economy. Nevertheless, the median sales price of area homes declined along with the number of homes sold while the median market rent continued to increase.

Overall, the economy of the UVLSRPC region supports household incomes that compare well to measures of housing affordability based on median market rate home prices and rents. Yet there remain thousands of households, both owners and renters, in the region who are spending excessive portions of their income on housing costs. Those who earn less than the median income, or who have only one wage earner per household, may have difficulty affording the housing.

Housing Production: Accommodate the Aging and Attract the Workforce

Housing production needs were projected using two independent methods: one utilizing population and age distribution projections and the second utilizing projected regional employment growth rates.

Housing supply projections indentify a need for the UVLSRPC region to increase the number of units to between 3,780 and 4,611 from 2010 to 2020. This is year-round housing stock and equates to approximately 378 to 461 units per year. An estimated 41% of those housing units should be in the form of housing affordable to the workforce based on the workforce income standard used in this study, or about 155 to 189 units per year. These estimates would allow for housing supply to keep pace with the expected rate of population and employment growth .

The Housing Needs Assessment and the housing production projections indicate that:

- It is difficult to anticipate the impacts on the housing market of present economic conditions more stringent lending standards. Rental and multi-family housing may need to assume a higher proportion of the total housing stock.

ALTERNATIVE PROJECTIONS: 2010 TO 2020 YEAR ROUND HOUSING GROWTH		
Basis for Projection	**Upper Valley Region**	**Lebanon, NH-VT NECTA**
POPULATION AND AGE BASED PROJECTION	**4,515**	**3,705**
HOUSING/JOBS RATIO BASED *	**3,780**	**3,346**
@ Avg. Annual Employment Growth Rate of:	1.00%	1.00%
HOUSING/JOBS RATIO BASED *	**4,611**	**5,540**
@ 20-year Avg. Annual Employment Growth Rate of:	1.22%	1.66%
WORKFORCE HOUSING SUBTOTAL @:	41%	35%
Population and Age Based Projection	1,851	1,297
Housing/Jobs Ratio - Slow Employment Growth	1,550	1,171
Housing/Jobs Ratio - 20 Year Avg. Employment Growth	1,891	1,939
** Holds constant the 2010 ratio of year round housing supply to employment in area*		

Figure 20

- Affordable rental opportunities will be needed to attract young workers to the area.

- Average household size will continue to decline as the population ages.

- The aging of the population will have a major influence on the long term housing supply-demand relationships. As senior homeowners continue to age, many may choose to move into an assisted living or general occupancy rental housing unit. This trend may also require more attention to universal design principles for accessibility to permit more people to 'age in place'.

Workforce Housing

The alternative projections indicate that the UVLSRPC region should add between 155 to 189 workforce housing units per year in a combination of ownership and rental housing to keep pace with anticipated growth in households and a modest rate of employment growth.

The Lebanon NH-VT NECTA will need to add 120 to 130 workforce housing units per year, assuming modest employment growth of about 1% per year. The NECTA supports a smaller share of workforce households than the total UVLSRPC region. If the goal is to maintain the current housing/jobs ratio in the Lebanon NH-VT NECTA, then more workforce housing will be required within this job growth area. If more workforce units can be produced close to this NECTA job center, it will reduce the need to produce workforce housing in outlying areas of the region, potentially mitigating future commuting issues.

Having a job does not guarantee that a person or household can afford the market rate housing. About 23% of new job growth in the UVLSRPC region is projected to occur in sectors that have an average wage that is too low to allow a typical household to afford median housing costs.

Each Community Plays a Role in the Region's Housing Needs

Local responses to these needs will vary as to type and scale, but each community needs to consider whether its local regulations preclude or enable various forms of workforce, affordable and multifamily housing.

Each community is encouraged to evaluate its contribution to the regional housing supply. Comparing the local share of jobs, wages, valuation, total housing units or other factors to an affordable housing supply each community can begin to evaluate its contribution to the regional housing supply. Communities should consider whether it is supporting diversity in the housing stock sufficient to enable the creation of affordable workforce housing units, and appropriate to accommodate the impact of an increasingly older population. Guidance for this process is detailed in the Housing Needs Assessment Technical Report.

Promoting Regional Housing Affordability

There are numerous tools available to promote a range of accessible, affordable housing opportunities locally and regionally. The following discussion addresses some of these tools. Refer to the Housing Needs Assessment Technical Report or contact the UVLSRPC staff for more information.

Workforce Housing Statute

New Hampshire's Workforce Housing Statute (RSA 674:58-61) requires communities to provide a reasonable opportunity for workforce housing alternatives, including multifamily housing with five or more units per structure. Not every community will have the utility infrastructure to support housing at higher densities, nor does the market necessarily support all forms of affordable housing in all locations. State statute requires that communities, through their regulatory framework provide for the opportunity for workforce housing.

New Construction of Homes

Private developers and non-profit organizations may generate housing stock that targets "work-force" incomes. Most construction is geared toward helping first time buyers entering the home ownership market. This can often involve public-private partnerships, a mix of financing sources, cooperation with municipalities through regulatory incentives or resale controls to preserve affordability for future buyers.

Purchase of Existing Homes

Using existing housing inventory can be less expensive than construction of new homes. Taking advantage of a slower economy can represent a buying opportunity for organizations that have the capacity to purchase, improve and resell the properties to qualifying buyers. Qualified first time buyers may benefit from the lower interest and reduced down payment requirements of New Hampshire Housing Finance Authority (NHHFA) mortgage programs. Under these programs, purchases can include owner-occupancy of properties of up to four units. This might be advantageous in the older urban areas in the region with existing housing.

"Fair Share" Screening Questions: Assessing Local Housing Opportunity

The following questions are a sample of the list of questions a community's self-assessment regarding workforce housing. The full list of questions is available in the Housing Needs Assessment Technical Report.

Employment and Housing in the Community

- If a friend's child just got an entry level job in the area could he/she afford to live in their hometown?

Property Wealth and Workforce Housing

- How many assisted rental units do we have per thousand persons as compared to the regional average?
- Do high land values limit the development of workforce housing because other development is more profitable
- regardless of permitted density?

Diversity of Housing Stock

- Our community has seen very little growth in multifamily housing. Is this because local regulations discourage or prohibit it, or something else?
- Is it possible under current regulations for a landowner to build multifamily units?

Rental Housing Opportunities

- My parents are getting older. What housing choices will they have when they can no longer manage their single family house?

Affordable Housing Covenants

Without the use of limits on resale price or eligible buyer incomes, the benefit of any affordable ownership program might be enjoyed only by the first generations of owners.

Deed covenants are instruments that preserve the value of investments in affordability by:

- Placing limitations on the resale price of real estate;
- Controlling the amount of equity appreciation;
- Limiting improvements to property or dollar value of improvements;
- Providing the covenant holder a right of first refusal to purchase the property;
- Restricting or limiting the types of construction materials used in construction or improvements

Covenants may be used in the case of inclusionary housing developments or other development agreements with private parties to produce affordable housing development, or used directly by a non-profit developer to create and then sell affordable units.

Local Housing Authorities

The two cities in the region (Claremont and Lebanon) have established local public housing authorities. Historically, housing authorities were formed principally to develop lower income rental housing and to conduct urban renewal activities with subsidies from the U. S. Department of Housing and Urban Development. Some housing authorities or their subsidiary non-profit corporations have developed other forms of rental housing under the USDA's rural development programs or under the Low Income Housing Tax Credit Program administered by NHHFA.

In New Hampshire, local housing authorities have the capacity to operate up to 6 miles outside the corporate boundaries of the municipality in which they are formed. It is possible for the housing authorities of Lebanon or Claremont to operate or develop projects in adjacent towns.

The Low Income Housing Tax Credit (LIHTC) Program [NHHFA]

This federal tax credit mechanism is today's primary means to develop multi-family rental housing that can serve low income or mixed income markets (general occupancy or elderly housing). Use of the LIHTC requires that a rental project provide a minimum of 20% of its units to households earning 50% of the Area Median Family Income (AMFI) or less, or at least 40% of its units to renters at or below 60% of AMFI. The balance of the units may be rented at prevailing market rents.

Community Development Block Grant (CDBG) Program [NHCDFA]

CDBG funds can be combined with other funds to support the creation of housing units, or can be used for related community needs such as encouraging home ownership, developing infrastructure, revitalizing downtowns, rehabilitating rental housing and other uses that have a primary benefit to households earning less than 80% of AMFI.

Direct Municipal Funding of Development

There are examples such as Gile Hill in Hanover where municipal funding through land donation has made affordable housing possible.

Other states have included general obligation (GO) bonds as part of the financing mix for developing affordable housing. The authority of municipalities to use GO bonds for this purpose in New Hampshire would need to be verified prior to use of such a financing tool.

Local Housing Commissions

NH RSA 674:44-h enables municipalities to form local housing commissions (The powers of these Commissions differ from those of a local housing authority created under NH RSA 203). The Commission can advise the Planning Board on housing needs assessment, ordinances and regulatory changes and in exploring ways of increasing housing diversity and affordability. It can also receive gifts of money and real or personal property in the name of the city or town for the purpose of maintaining or improving housing affordability. The Commission may also be empowered to a manage non-lapsing affordable housing fund that is similar to the conservation fund administered by the Conservation Commissions.

Inclusionary and Density Incentives

To provide incentive for a developers to invest in an affordable housing project, inclusionary zoning provisions must be generous enough (relative to the normal development standards) to permit a deep discount on low to moderate income units and to raise the gross profit achieved through construction of more units. In a voluntary program (mandatory inclusionary provisions are not permitted in New Hampshire), the density incentive must be high enough to persuade the developer to choose the inclusionary option. If the incentives are encumbered by more stringent standards for open space or other development requirements, or have less predictable approval procedures than under the baseline standards, inclusionary provisions are less likely to be successful.

Jobs-Housing Linkage Contributions

Linkage fees have been used in other areas of the United States that are experiencing rapid commercial and second home/resort development. Essentially, the fees represent an assessment that is based on the need to mitigate a portion of the low to moderate income housing need created by new job growth.

The basis for the fees is usually derived from an analysis that establishes the relationship between local or regional job growth and the associated need for affordable or workforce housing to support the lower wage jobs generated by that development. Based on the results of the linkage study, a pre-determined fee is assessed per square foot of new commercial/industrial development at the time of development, though the pay-in of the fee may be pro-rated over a period of years.

Generally, funds derived from linkage fees flow to a local or regional housing trust or other organization. In New Hampshire, the use of linkage fees would require legislative changes to authorize NH municipalities to use this tool.

Housing Impact Statement

Housing developers are frequently asked to produce fiscal impact statements (cost vs. revenue generation of new housing) as part of the development review process.

Large scale commercial developments, however, are rarely asked to describe how and where their employees at different wage levels will find housing that their wage earners can afford. Communities hosting larger scale commercial development (which may also constitute developments of regional impact under the New Hampshire statutes), could require housing impact statements. This could require developers to furnish an analysis of the wage and salary distribution of the jobs to be created relative to the supply of housing affordable to those wage groups locally and in the region. Such statements could help establish a dialog with the developer about existing housing needs.

Employer-Assisted Housing Initiatives

Employer assisted housing initiatives can include such elements as access to a revolving loan fund to pay back an initial security deposit; providing a match to employee savings for the down payment of a house; leasing rental units for employees; or constructing units for employees. Housing-related cash benefits can provide financial incentives for an employee to stay with the company, live close to work and reduce labor turnover and training costs. Generally, employer assisted benefits are considered taxable income to the employee, but a deductible expense (as with salaries and other compensation) by the employer.

Community Land Trusts

Community Land Trusts keep home ownership affordable by maintaining the ownership of the land while selling the houses on the land to qualified buyers. A key feature of community land trusts is the use of a ground lease restricting both the future sale and the income of the homebuyer. A community land trust preserves and creates affordable homeownership and insures affordability for the future as well as current homeowners.

Affordable Housing Trusts and Community-Based Non-Profits

A housing trust is simply a way of pooling funds for housing initiatives. An affordable housing trust fund raises funds from both public and private sources and restricts the use of funds to meet specified housing objectives. A dedicated funding stream, whether from taxes, fees and/or an endowment are considered essential for success. Other possible funding sources include: private employers, banks, foundations that also donate to housing trust funds.

A regional housing trust fund has been established by the Upper Valley Housing Coalition; local housing commissions could also receive such contributions.

Public Education to Support Affordable and Workforce Housing

Public objections to housing development in general, and affordable housing in particular, are often barriers to achieving balanced development that includes housing diversity. Local housing commissions, the public housing authorities, housing trusts and the Upper Valley Housing Coalition can be active in the educational effort.

Intermunicipal Tax Base Sharing and Regionalized Services

New Hampshire municipalities rely heavily on local property taxes to fund municipal services and public education. This leads to a competition for developments offering high assessed value and low public service costs and less enthusiasm for development that offers lower assessed value relative to its service demands.

NH municipalities are authorized to enter into intermunicipal agreements through RSA Chapter 53-A. The agreement must be approved by the governing body of each participating public agency. The written agreement must address certain points: duration; purpose; financing; method of termination; and description of any new entity created or joint board responsible to administer the agreement. RSA Chapter 53-A agreements must be approved by the attorney general. In these models, new taxable valuation is shared among all municipalities in the participating region or district, allowing property tax wealth and service costs to be shared within a region.

Downtown Tax Incentive, RSA 79-E

Once this law is adopted by a municipality's legislative body, a property owner who wants to substantially rehabilitate a downtown or village center building may apply to the local governing body for a period of temporary tax relief. The law is structured to encourage both rehabilitation of downtown structures, and housing in the downtown area. The temporary tax relief consists of a finite period during which the property tax on the structure will not increase as a result of its substantial rehabilitation. In exchange for the relief, the property owner grants a covenant ensuring the continuation of the public benefit during the period of the tax relief. Berlin, Concord, Hooksett, Lisbon, Manchester and Pittsfield are using this program to date.

Housing Futures Fund

The Housing Futures Fund (HFF) provides grants, through the Tax Credit Program, to assist community-based nonprofit housing organizations. HFF grants are intended to build the capacity of participating nonprofits to investigate opportunities, secure financing, and test innovative new solutions for area residents.

The operational grant program enables grantees to focus on housing development and educational outreach to individuals and families in need of quality affordable housing. The technical assistance aspect of the HFF program is implemented by the New Hampshire Community Loan Fund.

Municipal Affordable Housing Revolving fund—RSA 31:95-h.

In addition to authorizing municipalities to create Housing Commissions, the statute also authorizes the establishment of revolving funds for the purpose of creating affordable housing and facilitating transactions.

Regional and Statewide Housing Organizations

Claremont Housing Authority: The Claremont Housing Authority manages 96 units of senior housing and assists another 140 households with rent subsidy vouchers.

COVER Home Repair: COVER Home Repair operates the ReCover Store and offers home repair, weatherization and educational programs to residents.

Habitat for Humanity: A community driven organization which has built 26 homes in the region, plus one "house in a box" for Hurricane Katrina Relief.

Hanover Affordable Housing Commission: They work with town agencies and boards to promote the provisions of affordable housing in Hanover.

Housing Action New Hampshire: A collaboration of over 40 organizations and individuals, they coordinate alliances to advocate for federal and state investment in the preservation and development of affordable housing, rental subsidies and prevention of homelessness.

Lebanon Housing Authority: Owns and manages over 200 units of rental housing and assists another 163 households with rent subsidy vouchers.

New Hampshire Housing Finance Authority: A public benefit corp., this agency offers fixed rate mortgages to low and moderate-income home buyers, provides rental assistance to low-income families/individuals and finances the development of quality, affordable rental housing in NH..

Twin Pines Housing Trust: A not-for profit organization dedicated to "perpetually affordable housing," Twin Pines offers apartments, single family homes and a mobile home park in the Upper Valley.

United Valley Interfaith Project: The United Valley Interfaith Project (UVIP) is a federation of congregations, faith organizations and community organizations. Its Housing Issue Team has conducted extensive research and developed relationships to increase stable funding of weatherization programs for low income people.

The Upper Valley Haven: They provide temporary shelter and education for homeless families and adults as well as food and clothing to anyone in need.

The Upper Valley Housing Coalition: The Upper Valley Housing Coalition is a partnership of business, community, municipal and nonprofit groups which aims to promote an adequate supply of housing for the region's workforce.

Upper Valley Strong: Its mission is to create, strengthen, expand and coordinate Tropical Storm Irene disaster recovery efforts in Vermont communities in the greater Upper Valley area.

Vermont Affordable Housing Coalition: With nearly 70 members, Vermont Affordability Housing Coalition has played a central role in most of the important developments affecting housing policy in Vermont.

Vermont Housing Finance Agency: This statewide agency finances and promotes affordable housing opportunities for low- and moderate-income Vermonters.

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