LEBANON CITY COUNCIL
JULY 19, 2021 - 6:30 PM
COUNCIL CHAMBERS, CITY HALL OR REMOTE VIA VIRTUAL PLATFORM
LEBANONNH.GOV/LIVE

1. Call to Order

To participate in this meeting, please join live via WebEx or call 415-655-0001 (access code: 1324 36 7140). If you have trouble accessing this meeting, please email Shaun Mulholland.

The July 19, 2021 Special Meeting of the Lebanon City Council is hereby called to order.

2. New Business

A. HOUSING IN LEBANON – Discussion of current conditions, regulation changes, and possible options to further incentivize the development of affordable housing.

3. Adjournment

Meetings are open for in-person and remote attendance. Members of the public that wish to attend remotely may do so by going to LebanonNH.gov/Live where you will find instructions on how to enter the meeting. Members of the public will be able to participate and ask questions through the City's virtual platform or by phone. Please note: Should technical difficulties occur during the meeting that disrupts virtual or phone connection(s), the meeting will continue without remote access capabilities.

MEMORANDUM

TO: **Lebanon City Council**

CC: **Shaun Mulholland, City Manager**
Paula Maville, Deputy City Manager

FROM: **David Brooks, Director of Planning & Development**

RE: **Information on Housing and Affordability in Lebanon**

DATE: **July 12, 2021**

Honorable Mayor and City Councilors,

As part of an upcoming special meeting to discuss housing issues and opportunities in Lebanon, the Planning and Development Department has prepared this summary of information regarding housing and affordability. This memo includes the NH statutory definitions of "affordable housing" and "workforce housing", as well as recent data from the US Department of Housing and Urban Development (HUD), New Hampshire Housing Finance Authority (NHHFA), and the recent *Keys to the Valley* effort by the Upper Valley Lake Sunapee Regional Planning Commission for additional context.

In RSA 674:58, the State of New Hampshire defines the following terms:

I. "Affordable" means housing with combined rental and utility costs or combined mortgage loan debt services, property taxes, and required insurance that do not exceed 30 percent of a household's gross annual income.

IV. "Workforce housing" means 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 developments 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.

In other words, housing that is "affordable" is housing that costs no more than 30% of a household's gross annual income. For rental units, "workforce housing" is housing that is affordable for a 3-person household with an income of no more than 60% of area median income. For ownership units, "workforce housing" is housing that is affordable for a 4-person household with an income of no more than 100% of area median income.

Each year, HUD publishes the Area Median Family Income (AMFI or AMI) for various metropolitan and non-metro county areas. Data for New Hampshire is reported by NHHFA. Lebanon is part of the non-metro Grafton County, NH Fair Market Rent (FMR) Area.

The Median Family Income data is used to determine eligibility for federally subsidized housing based on area median income and household size. It is also used as a criterion in relation to evaluating Low-Income Housing Tax Credit (LIHTC) project applications, among other uses.
For 2021, HUD reported an Area Median Family Income for Grafton County of $87,400 for a 4-person household, which represents 100% of AMI. For comparison purposes, the AMI for New Hampshire statewide for 2021 is $98,200; for NH metro areas, the AMI is $106,200; and for NH non-metro areas, the AMI is $85,300.

Using the HUD data, NHHFA calculates annual Housing Purchase and Rent Limits for the state's metropolitan and non-metro county areas. Based on the definition of workforce housing for ownership units, this translates to an estimated maximum affordable purchase price in Grafton County of $348,500. For rental units, this translates to an estimated maximum affordable monthly rent of $1,180 for a two-bedroom apartment to be considered "workforce housing".

In the 2020 Residential Rental Cost Survey Report, NHHFA reported that the median monthly gross rental cost for a two-bedroom unit in Grafton County is $1,307 or about 10% higher than the maximum affordable rental rate for "workforce housing". The result is that a household needs approximately 134% of the estimated renter household income just to afford the median rent for a two-bedroom unit in Grafton County. NHHFA estimates that only about 25% of all two-bedroom units in Grafton County are priced at or below the affordable rental rate for the median renter household income.

While Lebanon is part of non-metro Grafton County for purposes of HUD data, the actual cost of housing in Lebanon is somewhat higher than the county overall. For example, the average sales price of 23 new homes in one Lebanon development over the last three years is just over $409,000 or roughly 17% above the estimated maximum affordable purchase price calculated based on the county-level data. Similarly, the rental cost for a two-bedroom unit in several Lebanon area apartment complexes starts at approximately $2,000/month or nearly 70% above what is considered workforce housing for rental units based on county-level data.

The Upper Valley Lake Sunapee Regional Planning Commission (RPC) recently reported in its Keys to the Valley project that 33% of all Upper Valley households are "cost burdened", meaning those households are spending more than 30% of their gross income on housing expenses. For owner households, 29% are cost burdened and for renter households, 45% are cost burdened. In Lebanon specifically, approximately 20% of owner households and approximately 50% of renter households are cost burdened. In addition, a significant percentage of owners (11%) and renters (20%) in the Upper Valley are "*severely* cost burdened", meaning they spend more than 50% of household income on housing costs.

During the upcoming special meeting, the Planning and Development Department will discuss recent construction and the current "pipeline" of housing in Lebanon and some of the regulatory steps the City has taken in recent years to expand housing opportunities and to improve and streamline the review process. The Department will also review proposed 79-E program guidelines as a follow-up to a recent tax relief incentive application reviewed by the Council. Then the Department and the City Manager will review other potential options the City may have to influence the cost of housing development and request direction from the Council for additional actions going forward.

Excerpt of New Hampshire Area Median Income data calculated by HUD

2021 AREA PROGRAM INCOME LIMITS

Low Income -	80%	Section 8 Program:	4/1/2021	6/2/2021
Very Low Income -	50%	HOME Program:	6/1/2021	
Extremely Low Income -	30%	Housing Trust Fund:	6/1/2021	

Effective Dates — **Revised Date**

Household Size (Persons)

Area	Income Limit		1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Coos County, NH	80%	of AMFI	$47,800	$54,600	$61,450	$68,250	$73,750	$79,200	$84,650	$90,100
HUD Median Family Income - $63,700	60%	of AMFI	$35,880	$40,980	$46,080	$51,180	$55,320	$59,400	$63,480	$67,560
	50%	of AMFI	$29,900	$34,150	$38,400	$42,650	$46,100	$49,500	$52,900	$56,300
	30%	of AMFI	$17,950	$20,500	$23,050	$26,500	$31,040	$35,580	$40,120	$44,660
HOME	30%	of AMFI	$17,950	$20,500	$23,050	$25,600	$27,650	$29,700	$31,750	$33,800
Housing Trust Fund	30%	of AMFI	$17,950	$20,500	$23,050	$26,500	$31,040	$35,580	$40,120	$44,660
Grafton County, NH	80%	of AMFI	$49,300	$56,350	$63,400	$70,400	$76,050	$81,700	$87,300	$92,950
HUD Median Family Income - $87,400	60%	of AMFI	$36,960	$42,240	$47,520	$52,800	$57,060	$61,260	$65,520	$69,720
	50%	of AMFI	$30,800	$35,200	$39,600	$44,000	$47,550	$51,050	$54,600	$58,100
	30%	of AMFI	$18,500	$21,150	$23,800	$26,500	$31,040	$35,580	$40,120	$44,660
HOME	30%	of AMFI	$18,500	$21,150	$23,800	$26,400	$28,550	$30,650	$32,750	$34,850
Housing Trust Fund	30%	of AMFI	$18,500	$21,150	$23,800	$26,500	$31,040	$35,580	$40,120	$44,660
Merrimack County, NH	80%	of AMFI	$52,450	$59,950	$67,450	$74,900	$80,900	$86,900	$92,900	$98,900
HUD Median Family Income - $96,700	60%	of AMFI	$39,360	$44,940	$50,580	$56,160	$60,660	$65,160	$69,660	$74,160
	50%	of AMFI	$32,800	$37,450	$42,150	$46,800	$50,550	$54,300	$58,050	$61,800
	30%	of AMFI	$19,700	$22,500	$25,300	$28,100	$31,040	$35,580	$40,120	$44,660
HOME	30%	of AMFI	$19,700	$22,500	$25,300	$28,100	$30,350	$32,600	$34,850	$37,100
HERA Special*	60%	of AMFI	$40,680	$46,500	$52,320	$58,080	$62,760	$67,380	$72,060	$76,680
HERA Special*	50%	of AMFI	$33,900	$38,750	$43,600	$48,400	$52,300	$56,150	$60,050	$63,900
Housing Trust Fund	30%	of AMFI	$19,700	$22,500	$25,300	$28,100	$31,040	$35,580	$40,120	$44,660
Sullivan County, NH	80%	of AMFI	$47,800	$54,600	$61,450	$68,250	$73,750	$79,200	$84,650	$90,100
HUD Median Family Income - $77,500	60%	of AMFI	$35,880	$40,980	$46,080	$51,180	$55,320	$59,400	$63,480	$67,560
	50%	of AMFI	$29,900	$34,150	$38,400	$42,650	$46,100	$49,500	$52,900	$56,300
	30%	of AMFI	$17,950	$20,500	$23,050	$26,500	$31,040	$35,580	$40,120	$44,660
HOME	30%	of AMFI	$17,950	$20,500	$23,050	$25,600	$27,650	$29,700	$31,750	$33,800
Housing Trust Fund	30%	of AMFI	$17,950	$20,500	$23,050	$26,500	$31,040	$35,580	$40,120	$44,660

* Income Limits for any Tax Subsidy project in a HUD impacted area whose current limit would be less than last year or less than its FY 2008 limit times the FY2021 Median over the FY 2008 median. HUD impacted areas are areas with Section 8 Income Limits held harmless by HUD in FY 2007 or FY 2008.

New Hampshire Housing provides this table for your convenience. Project Managers should use the specific rent and income limits applicable to their project's funding sources and follow the specific program rules provided by the US Department of Housing and Urban Development.

Other Median Family Incomes:				
New Hampshire Statewide	$98,200		U S	$79,900
New Hampshire Metro	$106,200		U S Metro	$82,800
New Hampshire Non-Metro	$85,300		U S Non-Metro	$63,400

2021 Revised Workforce Housing Purchase and Rent Limits, RSA 674:58 - 61

This is an update to information that New Hampshire Housing provided to the Legislature in 2008 as it deliberated on the Workforce Housing statute. The purpose of this table is to assist municipalities in implementing the NH Workforce Housing statute, RSA 674:58 - 61. This analysis incorporates statutory requirements, and includes reasonable market assumptions for the targeted households' income levels such as interest rate, down payment, mortgage term, taxes, and insurance. Please note that this table provides information about the estimated affordable amounts for purchase and rent.

	Ownership				Renters	
	80% of 2021 HUD Median Area Income Family of four Recommended Initial Purchase Price for Workforce Housing		100% of 2021 HUD Median Area Income Family of four Recommended Maximum Purchase Price for Workforce Housing		60% of 2021 HUD Median Area Income Adjusted for a family of three	
	Income	Estimated Affordable Purchase Price [1]	Income	Estimated Affordable Purchase Price [1]	Income	Estimated Maximum Affordable Monthly Rent [2]
HUD Metropolitan Fair Market Rent Areas (HMFA):						
Boston-Cambridge-Quincy MA-NH	$96,640	$416,500	$120,800	$520,500	$65,230	$1,630
Hillsborough Co. NH (Part)	$78,400	$290,500	$98,000	$363,000	$52,920	$1,320
Lawrence, MA-NH	$84,320	$333,000	$105,400	$416,500	$56,920	$1,420
Manchester, NH	$71,440	$285,500	$89,300	$356,500	$48,220	$1,210
Nashua, NH	$87,680	$342,500	$109,600	$428,000	$59,180	$1,480
Portsmouth-Rochester, NH	$85,280	$338,500	$106,600	$423,000	$57,560	$1,440
Western Rockingham Co, NH	$92,000	$372,500	$115,000	$465,500	$62,100	$1,550
County Fair Market Rent Areas (Non Metro):						
Belknap County	$69,200	$287,500	$86,500	$359,500	$46,710	$1,170
Carroll County	$60,000	$267,500	$75,000	$334,000	$40,500	$1,010
Cheshire County	$67,200	$242,500	$84,000	$303,000	$45,360	$1,130
Coos County	$50,960	$196,000	$63,700	$245,000	$34,400	$860
Grafton County	$69,920	$279,000	$87,400	$348,500	$47,200	$1,180
Merrimack County	$77,360	$296,000	$96,700	$370,000	$52,220	$1,310
Sullivan County	$62,000	$224,500	$77,500	$281,000	$41,850	$1,050

[1] Estimated maximum price using 30% of income, 5% down payment, 30 year mortgage at 2.88%, 0.7 points, PMI, estimated 2021 taxes for each area and hazard insurance. Interest rate is the average of the 30 Year Freddie Mac interest rate for January-March 2021.

[2] Estimated maximum gross monthly rental cost (rent + utilities), using 30% of income.

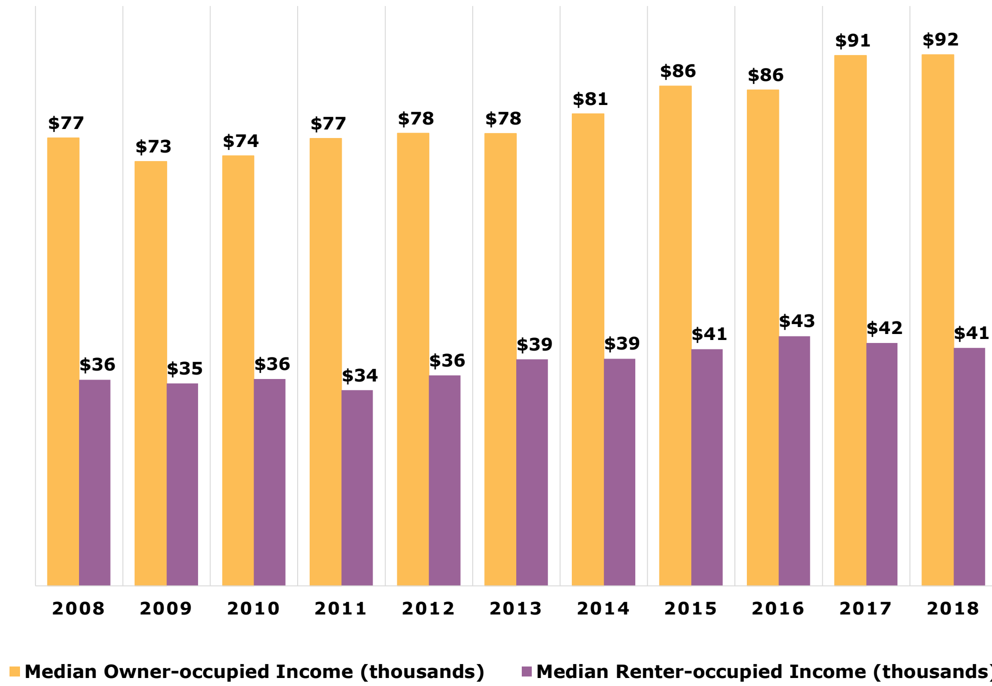
File: WrkfrcHsngPurchaseAndRentLimits.xlsx - 2021-R
Update Date: 4/14/2021

AFFORDABILITY & INCOME

OWNER AND RENTER MEDIAN HOUSEHOLD INCOME

The median renter-occupied household income has decreased for the past three years, while owner incomes have grown.

Source: U.S. Census Bureau, American Community Survey (2008-2018), 1 Year Estimates, In 2018 inflation adjusted dollars



HOUSEHOLD INCOME REQUIRED TO AFFORD A 2-BEDROOM APARTMENT

In New Hampshire, 44% of rental households are paying 30% or more of their household income on rent. Lower-income families are likely to be paying an even higher percentage of their household income towards rent.

	Median 2-BR Rent	2020 Affordability Income	% of 2020 Renter Household Income (Est.) Needed
Belknap County	$1,145	$45,800	117%
Carroll County	$1,066	$42,600	116%
Cheshire County	$1,118	$44,700	121%
Coos County	$888	$35,500	118%
Grafton County	$1,307	$52,300	134%
Hillsborough County	$1,534	$61,400	127%
Merrimack County	$1,273	$50,900	121%
Rockingham County	$1,623	$64,900	122%
Strafford County	$1,291	$51,600	115%
Sullivan County	$1,068	$42,700	109%
STATEWIDE	**$1,413**	**$56,500**	**125%**

AFFORDABILITY & INCOME

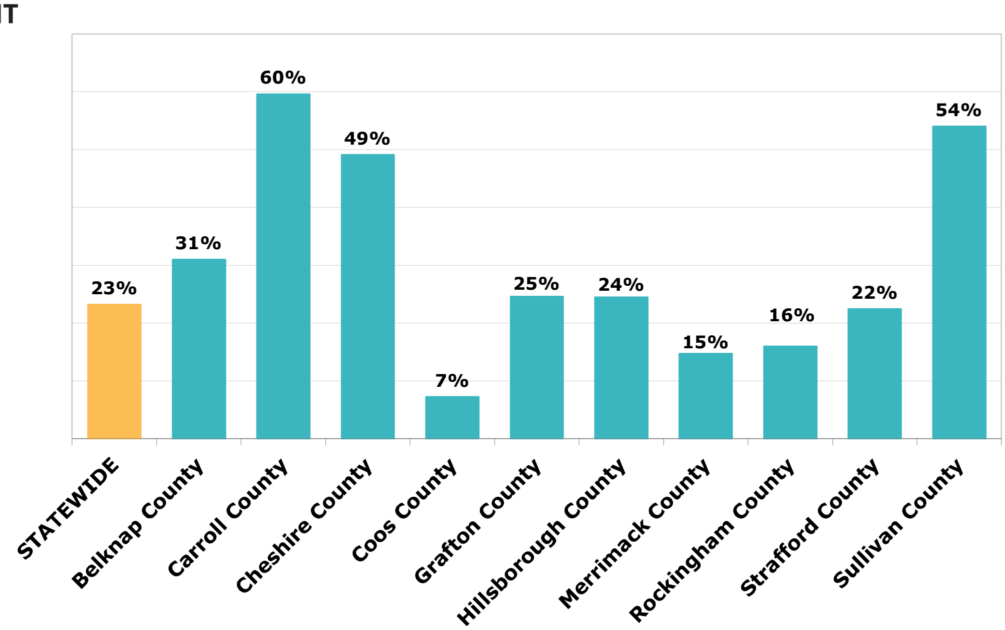
2-BEDROOM UNITS AFFORDABLE TO MEDIAN INCOME RENTER HOUSEHOLDS

In general, higher income counties have access to more affordable units. However, even in the highest income county (Rockingham), only 16% of the units would be affordable to half of the renter households.

Source: U.S. Census Bureau 2014-2018 American Community Survey, rended by 3% for 2 years Median Income for Renter Households by County

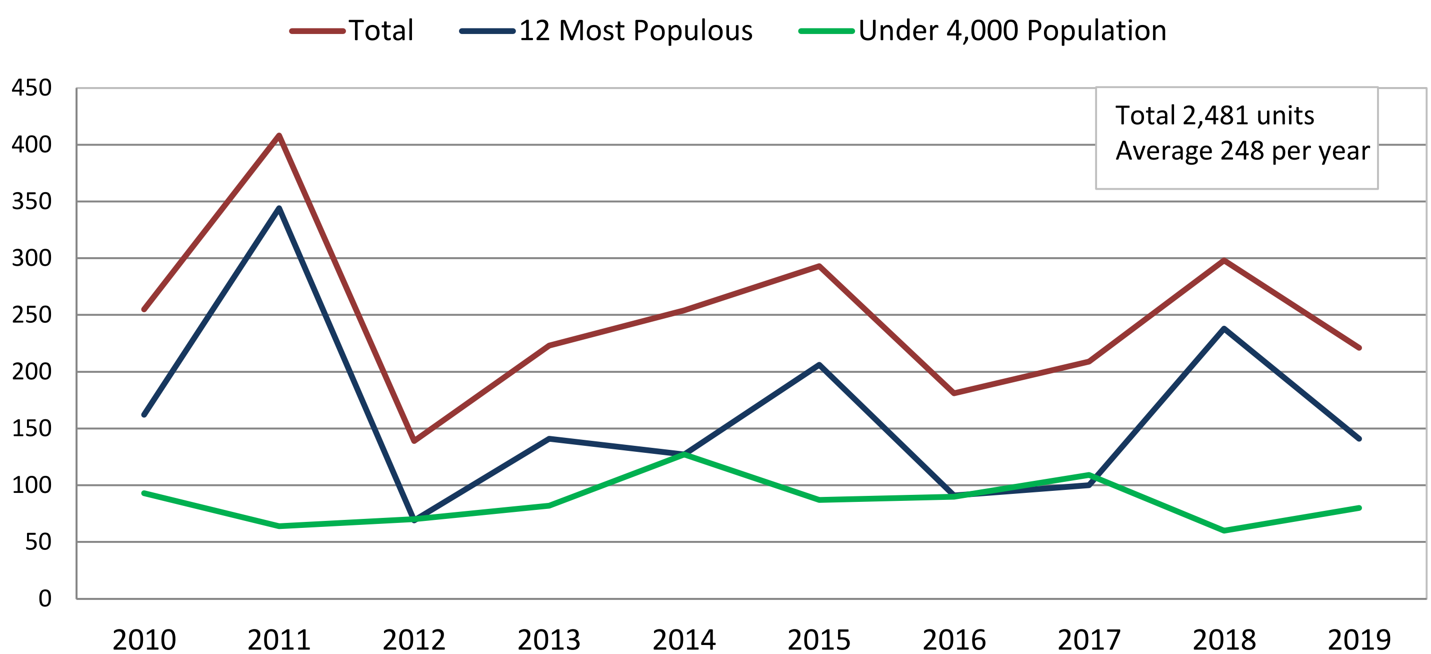
	Estimated 2020 Renter Household Income	Affordable Gross Rent Based on Income	% of 2-Bedroom Units Below Affordable Rent
Belknap County	$39,002	$975	31%
Carroll County	$36,821	$921	60%
Cheshire County	$36,988	$925	49%
Coos County	$30,141	$754	7%
Grafton County	$39,115	$978	25%
Hillsborough County	$48,498	$1,212	24%
Merrimack County	$42,063	$1,052	15%
Rockingham County	$53,178	$1,329	16%
Strafford County	$44,805	$1,120	22%
Sullivan County	$39,183	$980	54%
STATEWIDE	**$45,073**	**$1,127**	**23%**

PERCENT OF 2-BEDROOM UNITS BELOW AFFORDABLE RENT

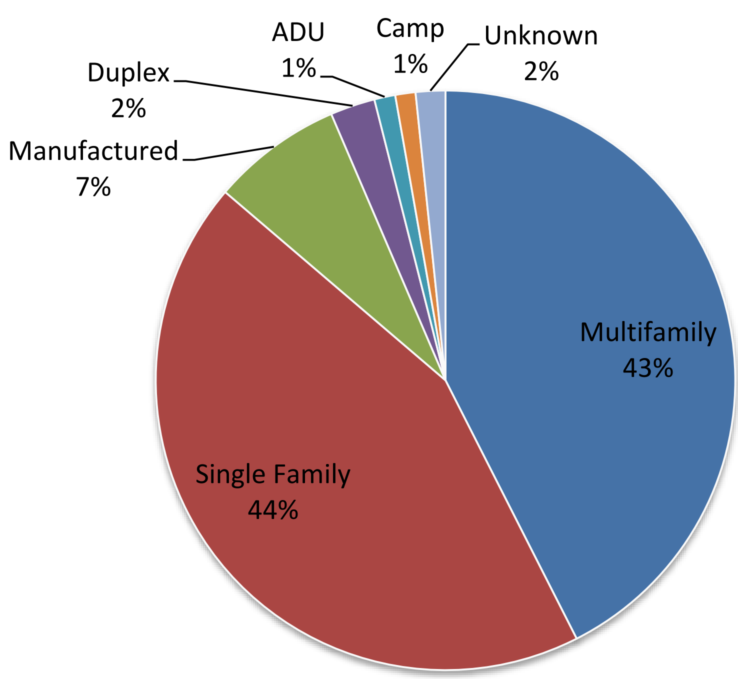


New Homes in Our Communities 2010 to 2019

Units Added Each Year



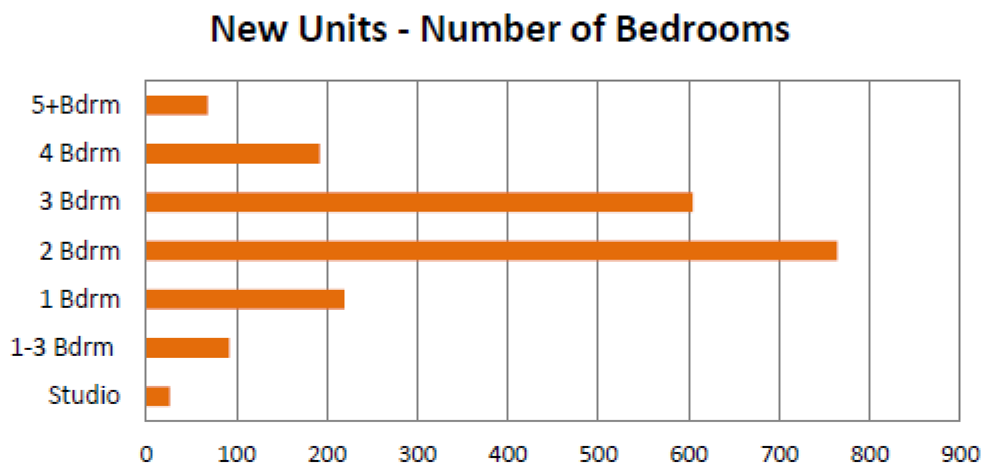
Types of Units Added



Definition

A new home, or place to live, is any housing unit addition that was not previously available on that parcel and is considered a built structure by municipal assessors or listers.

In the Vital Communities Service Area
29 municipalities participated. [Details for each town at this link].



How did we count new place to live?

We started by discussing available data with municipal staff, then created a list of all potential new housing units from the building permit log (either by municipal or project staff). Where building permits are not done or a log unavailable, a report was produced from the municipal assessing department. That list was cross referenced with parcel/lister cards to confirm housing unit by the "year built". Unit details were recorded. The final numbers were validated by staff in each community.