FINAL

LEBANON CITY COUNCIL
MINUTES, SPECIAL HOUSING SESSION
Monday, July 19, 2020, 6:30 p.m.
Remote Via Microsoft Teams: LebanonNH.gov/Live

MEMBERS PRESENT: Mayor Tim McNamara, Assistant Mayor Clifton Below, Erling Heistad, Karen Liot Hill, George Sykes, Douglas Whittlesey, Devin Wilkie, and Jim Winny

MEMBERS ABSENT: Karen Zook

STAFF PRESENT: City Manager Shaun Mulholland, Deputy City Manager Paula Maville, City Clerk Kristin Kenniston, Director of Planning & Development David Brooks, Human Services Director Lynne Goodwin

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1. **CALL TO ORDER:** Mayor McNamara called the meeting to order at 6:32 p.m.

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

Included in agenda packet (**pages 2-9**):

- Information on Housing and Affordability in Lebanon Memo and data from City Manager Shaun Mulholland dated July 12, 2021

The Mayor McNamara called for this special meeting so the Council could devote an entire meeting to the topic of housing within the City of Lebanon and have access to the same data for future discussions. His motivators were:

1. There is a shortage of housing, in general, in the Upper Valley. In particular, there is a shortage of affordable housing, whether it is subsidized housing or whether it is just market rate rentals or houses for sale. Of the units that have been constructed over the last several years, the vast majority of them have been constructed in either Lebanon or Hartford, VT, but primarily in Lebanon. New housing is a good thing, but also carries a burden on infrastructure, school districts, and the property taxes associated with new housing that frequently do not carry the costs. He was not seeing a lot of the other towns in the Upper Valley, except for Hartford, doing much to step up and take their share of the burden, noting this is a regional problem and solving it requires a regional approach.

2. Most of the new housing that has been constructed is apartment housing, primarily in the studio to 2-bedroom range. While this satisfies a portion of the demand it leaves a hole in the middle: $250K to the $500K range. At present, the only construction taking place in Lebanon is out on old Pine Tree Cemetery Road, which are smallish houses in a tight neighborhood that are all over $400K.

3. In order for businesses, in the Upper Valley in general, to be successful, they need to be able to recruit and retain employees. We began to see this rotation where people rotate into Lebanon for a few years, begin to build some community connections, but then they cannot afford to stay here so they go somewhere else. It benefits us, as a community, and benefits the businesses to be able to recruit and retain people over the long term.

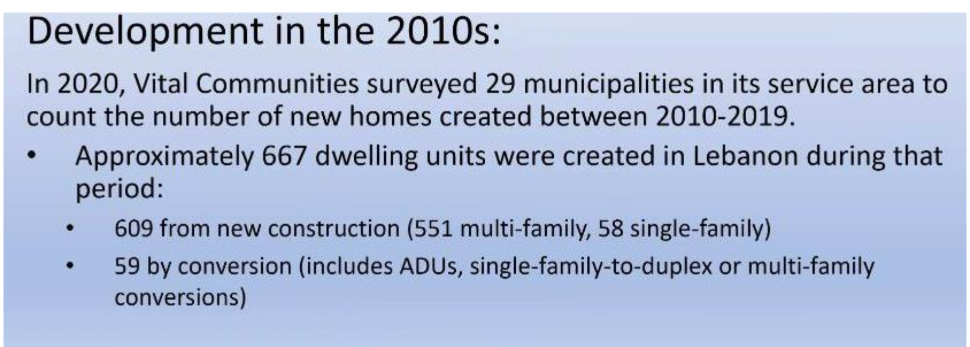
Mr. David Brooks, Director of Planning and Development came forth, noting the July 12, 2021 Staff Memo on pages 2-3 of the agenda packet gave some data and a brief overview of incomes and portability in Lebanon, the Upper Valley, and Grafton County. His memo summarizes that housing costs generally exceed workforce standards and housing costs for a fairly large segment of the population. Significant portions of the local and regional population are spending more than 30% of their gross income on housing costs and some are spending more than 50%. If you are spending more than 50%, there is not much left for transportation, food, and other necessary costs. Housing is a significant issue in retaining the vibrancy of our community by keeping people close to where they live and work. Housing costs are so much higher in Lebanon than in Grafton County, and a lot of the statistics we work with are based on Grafton County Standards.

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.

In the 2020 Residential Rental Cost Survey Report, NHHFA (New Hampshire Housing Finance Association) 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.

Mr. Brooks shared and discussed a screen presentation that covered 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 topics included the following:

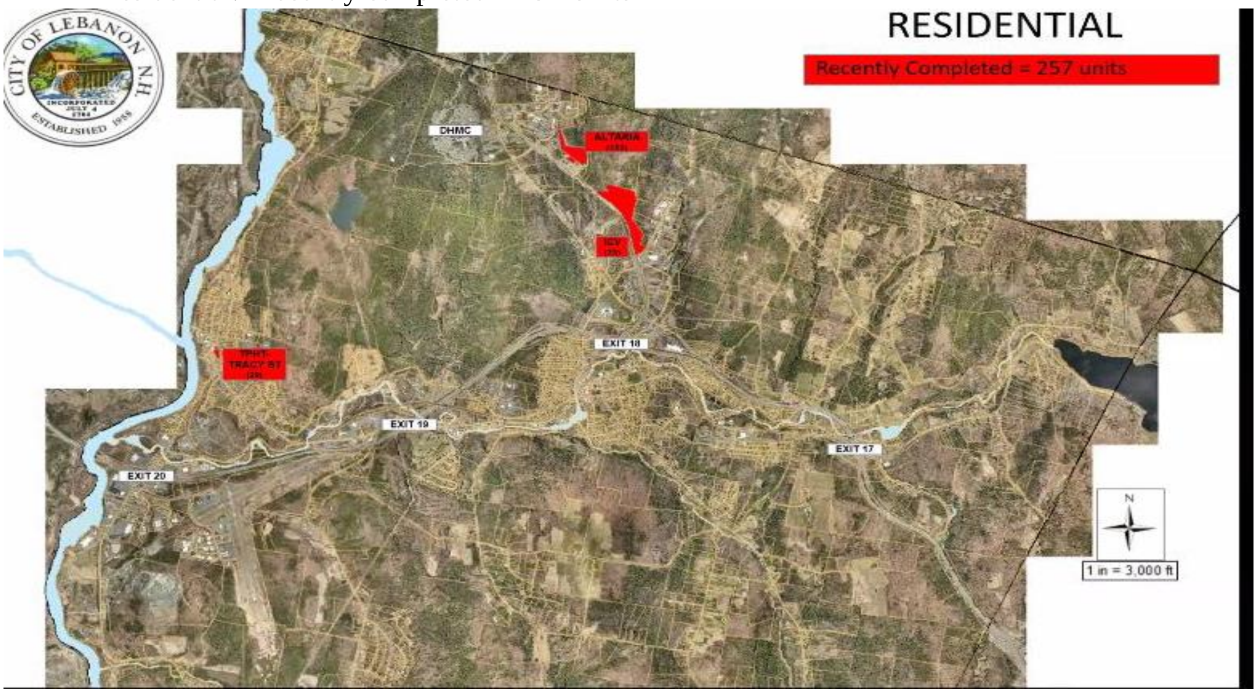
I. SUMMARY OF RECENT DEVELOPMENT AND THE HOUSING “PIPELINE:



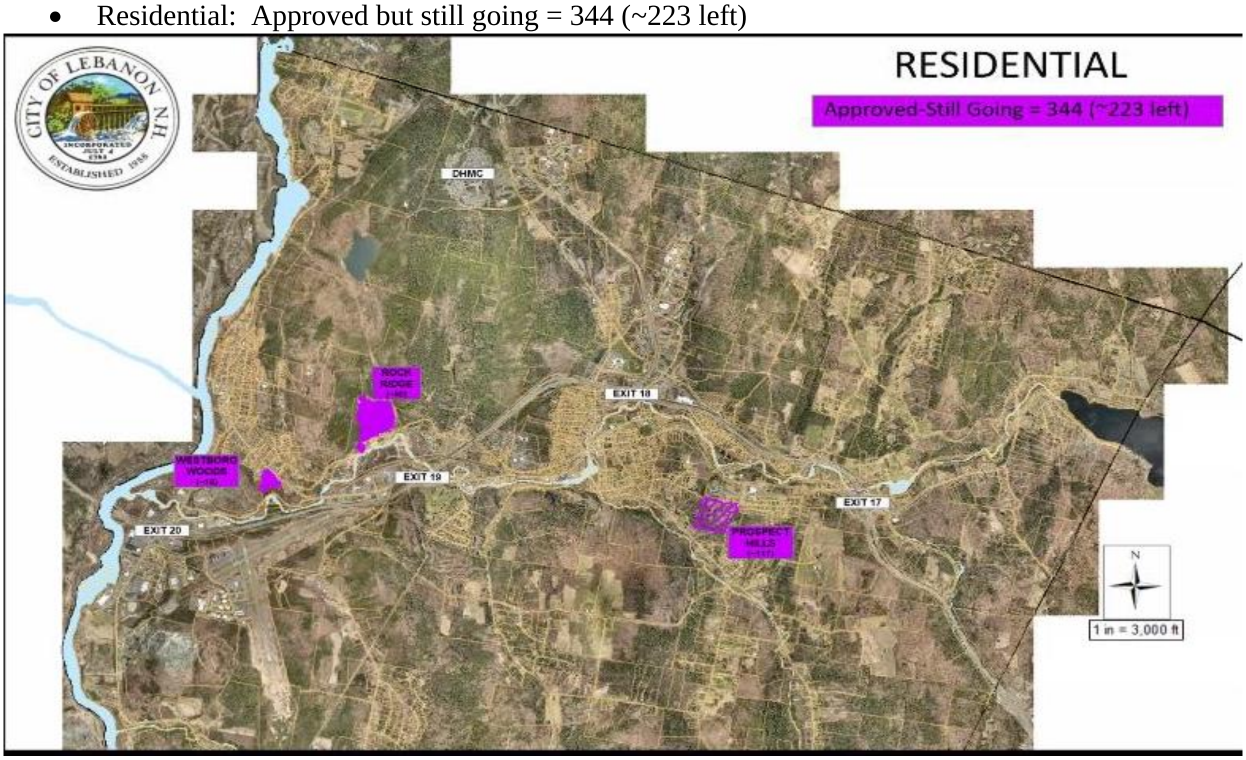
Over the 29 towns surveyed for this time period, there was just shy of 2,500 units created in those communities. Lebanon had the most, Hartford had the second most, followed by Sunapee, Newbury, Hanover (in that order). All of the other 24 communities had less than 100 new units in this 10-year period. This is only a snapshot because a lot of the other communities in the service area did not even respond to the survey.

The following slides show where Lebanon's growth has taken place and where growth is expected:

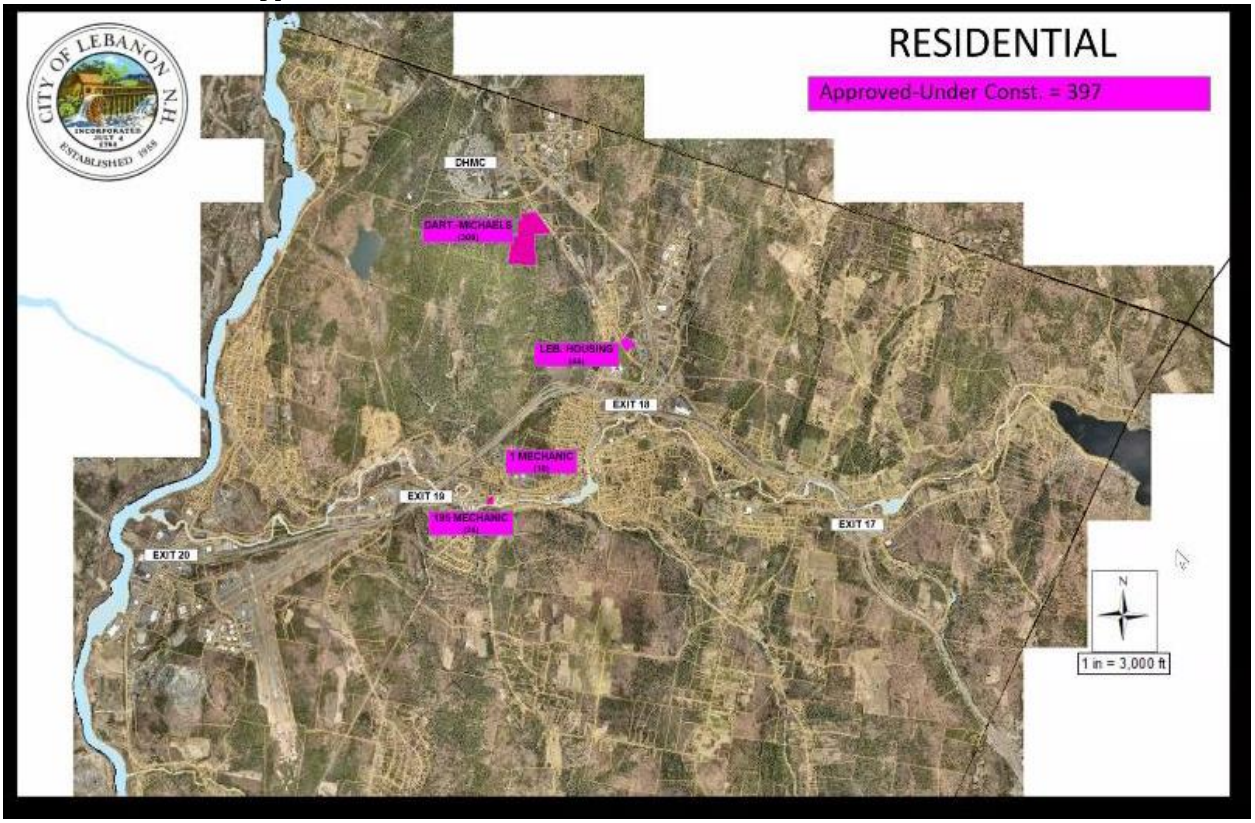
- Residential: Recently completed – 257 Units



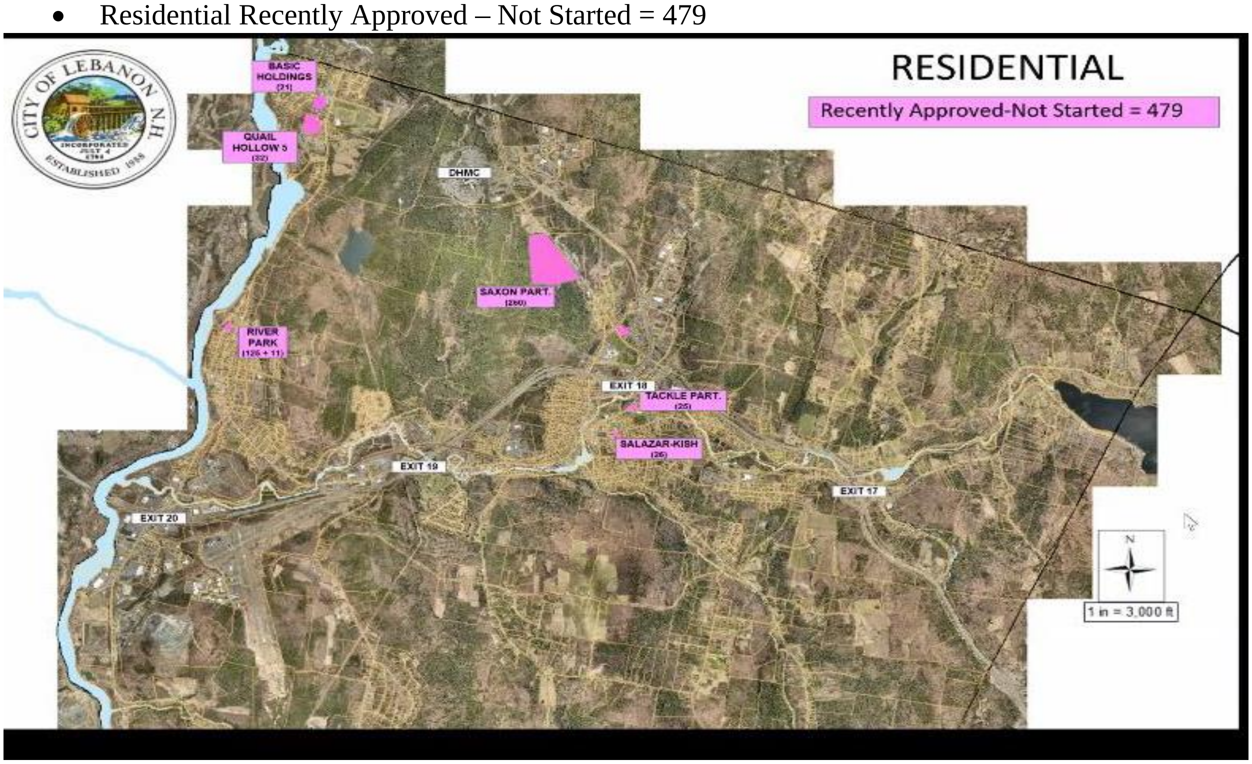
- Residential: Approved but still going = 344 (~223 left)



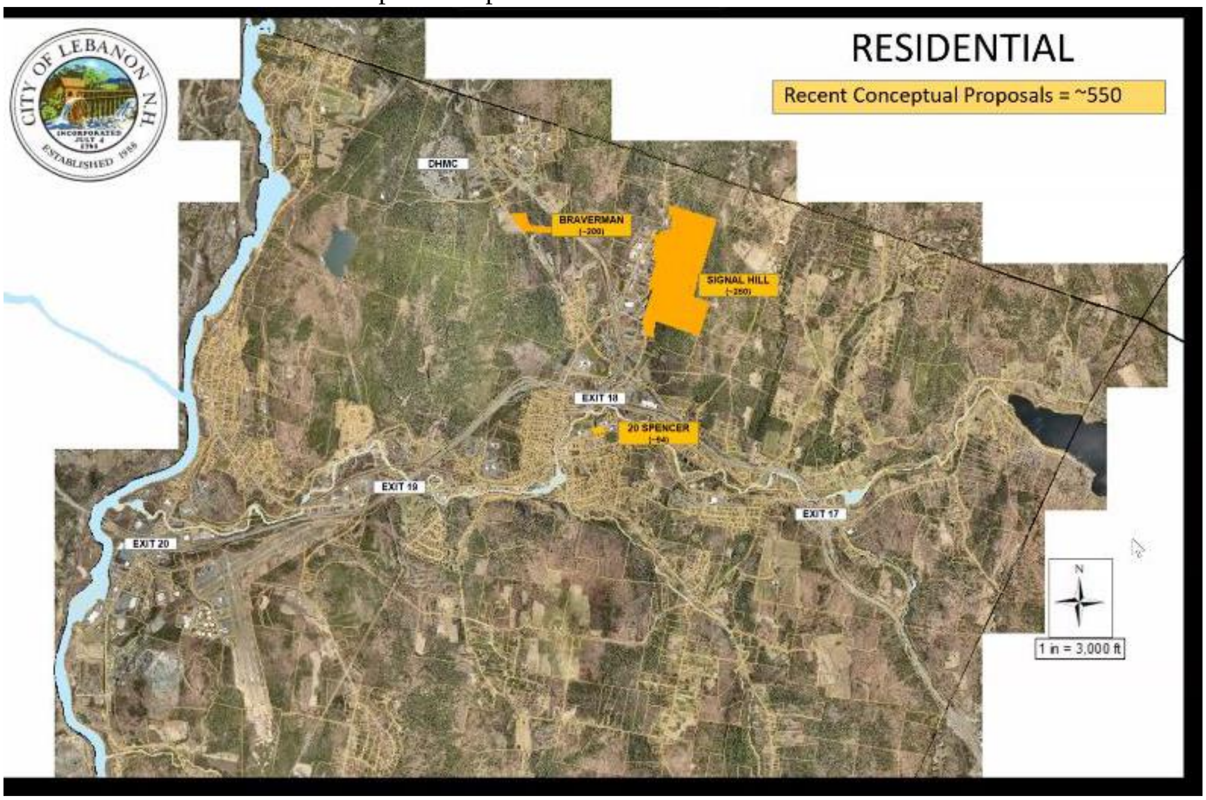
- Residential Approved – Under construction = 397



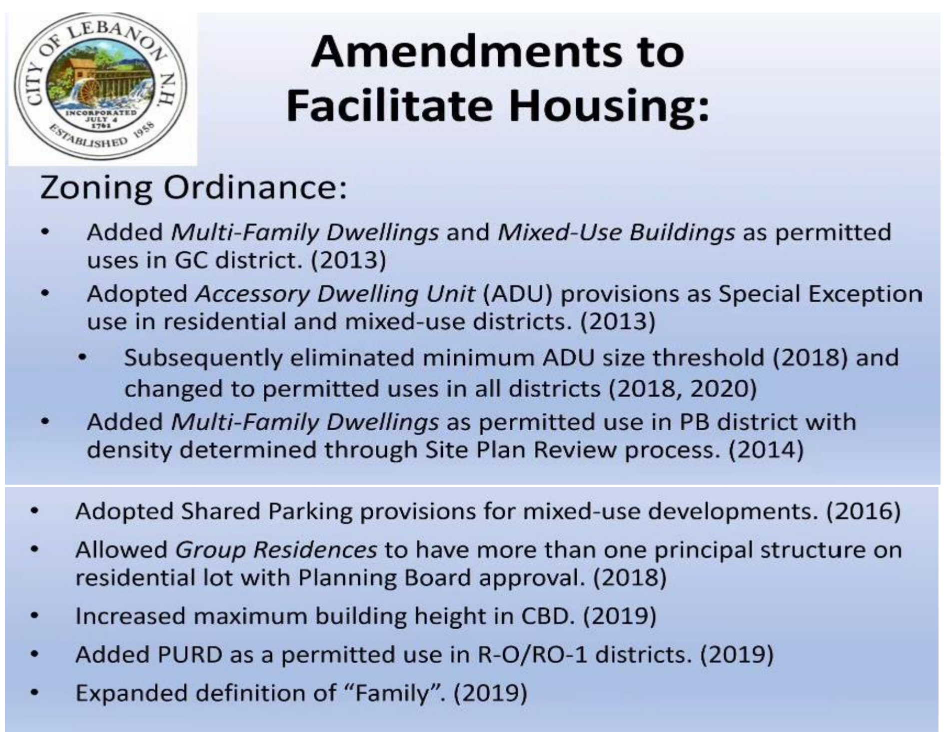
- Residential Recently Approved – Not Started = 479



- Residential Recent Conceptual Proposals = ~550



II. SUMMARY OF AMENDMENTS TO ZONING AND DEVELOPMENT REGULATIONS:



- Created new GC-1 district with Multi-Family Dwellings as a permitted use. (2020)
- Created new LD district with revised dimensional requirements. (2020)
- Modified the number of Multi-Family Dwellings allowed as a permitted use in R-O/RO-1 districts. (2020)
- Clarified Multi-Family Dwelling uses in R-1 and R-2 districts. (2020)

- Expanded residential dwelling types allowed in Commercial PUDs, Industrial PUDs, and Planned Business Parks. (2021)
- Relaxed off-street parking requirements for 1-Family and 2-Family Dwellings and ADUs. (2021)
- Allowed for increased building height in R-1 district to accommodate parking underneath the building. (2021)

Subdivision Regulations:

- Exempted multi-building residential developments (e.g. apartment complexes under single ownership) from Subdivision Review to streamline review process.

Site Plan Review Regulations:

- Proposing a new Minor Site Plan process to simplify review for smaller projects, including conversions of existing structures to residential or mixed-use or minor expansions of existing multi-family uses.

III. <u>COMMUNITY REVITALIZATION TAX RELIEF INCENTIVE PROGRAM (RSA 79-E) GUIDELINES</u>:

Existing 79-E provisions:

- Council may provide temporary period of limited tax relief for owners undertaking a *Substantial Rehabilitation* of a *Qualifying Structure*, which will provide at least one *Public Benefit* as defined in the statute.
  - Council *may* grant up to 5 years for projects complying with program.
  - Council *may* add up to 2 years for residential units and up to 4 years for affordable housing.*
  - Council *may* add up to 4 years for rehabilitation of historic structures provided the rehab is conducted in accordance with U.S. Secretary of Interior's Standards for Rehabilitation.

Mr. Brooks read and reviewed the Statute noting there is still a bit of ambiguity about the number of years of tax relief that can be provided for residential units. The Statute states: "The governing may, in its discretion, add up to an additional 2 years of tax relief for a project that results in new residential units and up to 4 years for a project that includes affordable housing." The language is confusing because it is not clear whether it is meant to be either/or (i.e. either 2 years or 4 years) or whether it's meant to be additive (i.e. 2 years plus 4 years). This is still an open question for the Council to consider.

Existing 79-E provisions:

- Council designated 2 districts in February 2016:

Planning Staff recommends the following, as requested by the Council a couple of months ago:

Proposed Guidelines for Existing 79-E provisions:

- Recommend City adopt the definition of "Workforce Housing" from RSA 674:58 to define affordability as it relates to RSA 79-E program.
- Recommend that affordability requirements be maintained for twice as long as the period of tax relief.
- Recommend establishing a sliding scale for tax relief depending on the targeted level of affordability and the percentage of units subject to such affordability requirements.

		TARGETED AREA MEDIAN INCOME (AMI)				
		60% or less	60 - 70%	70 - 80%	80 - 90%	90 - 100%
% OF UNITS IN PROJECT	40% or more	4	3	3	2	1
	30-40%	4	3	2	1	1
	20-30%	3*	2	2	1	0
	10-20%	2*	1	1	1	0
	0-10%	1*	1	0	0	0

* Units targeted for 50% or less of AMI qualify for 1 additional year of tax relief

This chart is certainly up for discussion. Staff is putting together a draft policy proposal that they would like to bring back to the Council on August 4, 2021, and hopefully will include some of the outcomes in tonight's discussion as to what it will look like.

HB 154 has already been passed and signed by the Governor, but does not take effect until April 1, 2022.

Newly created 79-E provisions:

- HB154 – Creates a "Housing Opportunity Zone" for new construction.
  - Not limited to downtowns or town center areas; Council would need to designate specific areas as Housing Opportunity Zones
  - Not less than 1/3 of the units shall be designated for households with an income of 80% or less of AMI or households with incomes as provided in RSA 204-C:57
  - Tax relief can be granted for up to 10 years upon issuance of a C.O.
  - Updated provisions for use of Affordable Housing Fund by NHHFA

SB102 has been passed and enrolled for amendments because these two pieces of legislation overlap quite a bit and need to be sorted out for consistency to make sure the provisions of each bill are getting incorporated into 79-E.

- SB102 – Would create a "Residential Property Revitalization Zones" for rehabilitation of existing structures.
  - Tax relief for owners of 1 or 2-Fam or attached Multi-Fam (up to 4 units), which is at least 40 years old, who make significant improvements in quality, condition, and/or use of existing structure
  - Council would need to designate areas as Residential Property Revitalization Zones and establish criteria for the public benefits, goals and measures that determine eligibility.
  - Tax assessment relief per current 79-E provisions, but not more than once in a 20-year period.

IV. Further Possibilities:

Financial Incentives:

- Reduce or Modify –
  - Water Development Charges/Water Investment Fees and Sewer Development Charges
  - Impact Fees for smaller units (Studios and ADUs)
  - Building Permit Fees
  - Application Fees for Planning Board/Zoning Board review
  - Water and Sewer Rates
- Consider City ownership of roads and utility infrastructure

- Create City loan fund

  Nashua –established a Housing Expendable Trust Fund to support moderate and lower income housing development; preservation of existing affordable housing units; First Time Home Buyer program; creation of new ADUs; educating the public on the need for and benefits of housing.

  Manchester –allocated $4.7M from federal HOME program for development of affordable housing; issued RFP for projects providing new housing or rehabbing existing units for individuals/families earning between 30% - 80% of AMI.

Create Partnerships:

- Purchase property and create public/private partnerships for redevelopment
- Expand partnership with Lebanon Housing Authority to develop new housing

Amendments to Zoning and Development Regs:

- Enable "Cottage Court"-style development:
  cnu.org/publicsquare/2019/08/29/testing-new-ideas-cottage-courts
- Provide for Density Bonuses and develop Criteria for Award of Bonuses (Z.O. §507)
- Higher thresholds for streamlined review of multi-family conversions
- Allow Manufactured Housing on single lots

Mr. Brooks referred the Council to the agenda packet ***(pages 4-9)*** for data related to housing in Lebanon and throughout the State. More detailed information on housing numbers can be found on the Vital Communities website.

The Council discussed if second family homes are considered residences (they are); out of the 667 units built, how over a quarter of these are senior housing units; requirements for the years of exemption in the 79-E program; the workforce housing definition in RSA 674:58; concerns about additional costs for ADUs (Accessary Dwelling Units) that require them to have separate water/sewer connections; the possibility of having separate water/sewer shut offs excavated on streets rather than having a whole new line put in; being cognizant to avoid burdening Lebanon's taxpayers through tax abatements; the potential of using Cottage Court-style Communities as a tool for housing development – would require Zoning changes; and, potentially bringing back duplexes as another possibility for early stage home ownership.

Ms. Ditha Alonzo, Director of the Lebanon Housing Authority, came forth and spoke about their 44 unit development on Heater Road. There will be 31 one bedroom units, 11 two-bedroom units, and 3 three bedroom units. The Lebanon Housing Authority is restricted to Lebanon, so they can only develop within the City. She spoke about how difficult it was for those who have received vouchers to find housing in Lebanon, noting HUD has allowed them (LHA) to extend their voucher expiration dates indefinitely because there have been so many problems for people to find housing. She liked the idea of loosening up some of the review processes and the costs of permits, noting they spent over $100K for Heater Road going through these processes.

Mr. Steven Stancek, Section 8 Housing Voucher Program, came forth and explained how the Lebanon Housing Authority's Voucher Program works, reiterating the difficulty voucher holders are having in finding housing within HUD 's guidelines ($917 is currently the standard for a 1-bedroom apartment). In Lebanon, one-bedroom apartments are presently renting between $1,100-$1,200 a month. This payment standard is presently being reviewed at the federal level. There is a dearth of family housing in Lebanon and a critical need for 3-4 bedroom housing units. The key to Lebanon's viability is to be able to attract families, and families at the lower end of that economic ladder who both need rental housing and encouraged the Council to consider development for these larger units. Mr. Stancek informed Councilor Sykes that under HUD regulations a participating owner cannot accept payment from additional sources, so the Housing Authority has control over the approvability of these rentals.

Mr. Andrew Winter, Executive Director Twin State Housing, came forth and expressed his appreciation to Mr. Brooks and the Planning Department for trying to address this issue. He encouraged the Council to consider a City Loan Funds Program to enhance moderate income projects. He also spoke about the potential for developing an Upper Valley Regional Housing Fund, which Evernorth is exploring. (**Evernorth** unites Housing Vermont (HV) and Northern New England Housing Investment Fund (NNEHIF) together as a single nonprofit organization to serve the low and moderate income people of Maine, New Hampshire and Vermont**).** Partnerships are critically important and can assist in making land available for housing, as was done in Hanover.

In response to Mayor McNamara's question regarding the State's limitation on the amount of property taxes that would be allowed for subsidized housing, Mr. Winter acknowledged there is a State Statute that limits the amount of property tax that a low income tax credit unit will pay, which is approximately about $1K per unit. Mayor McNamara informed the Council that we need to be aware of this and how the burden of those lowered property taxes will fall on Lebanon's taxpayers. Mr. Winter noted that despite the perception that Twin State Housing is not paying property taxes, they pay over $550K in property taxes each and every year to communities that house their rental properties.

Mayor McNamara opened up this discussion to the public for their comments and the following came forth to speak:

Mr. Jeremy Katz - Lebanon's Zoning Board (Ward 3): He spoke about how not for profits and public entities can work on this issue, as well as the incentivization of private entities; the benefits of investor capital; how the city could benefit from some redistricting of certain areas and gave examples (i.e., R-2, R-3 districts); the need for the City to define the term of what is considered affordable housing under the 79-E program and how it could be used to incentivize the median wage earner; how the cost of development, labor, and materials are preventing some investors/contractors from developing low-income properties; how it is unlikely the City will get what they want by taking a low-income or workforce housing approach by incentivizing private investment; the finance aspects for an investor (costs run between $250-$400 sq. ft.); how it would be important for the proposed DEI (Diversity, Equity, and Inclusion) Commission to look at housing preferences in Lebanon, and; how he and each investor has a different view/tolerance regarding development risk factors.

Mr. Chet Clem, Lyme Properties: He spoke about how Lebanon, and the region as whole, is drowning in a demand problem (for housing) right now; the need to incentivize all housing; his Tiny House experiment, and; the Cottage Court-style Community housing.

Mr. Kevin Purcell, Purcell Properties: He spoke about his approach to affordable housing, which is to take this problem in small increments at a time because the City will not be able to build their way out of this situation; his concerns over property taxes and how they drive rental costs; his concern over Lebanon's growth and the need to have discussions with abutting towns over affordable housing because this is a regional problem that seems to be zoned out, and; how transportation expansion throughout the region would help to open up other markets in the region.

Councilor Sykes pointed out that a few years ago, he introduced a bill to establish a bus service in Claremont, but the amount of funding that was available from the State for the operation of buses was ZERO. They finally only approved $1.00. He also spoke about the assumption that people want a single-family home, but many want apartments and felt the Council should look at what the market can bear.

Mayor McNamara noted that what we are seeing today is an acceleration of property tax rates to the point where Lebanon is having folks with kids move out because they cannot afford property taxes. He felt we have to be cognizant of everything to balance the economy, especially the costs and benefits associated with all these things.

The Council discussed the economic factors involved with affordable housing; how wages have not moved but costs for everything else has skyrocketed; the various economic factors that have to be considered in housing; consideration for the diversity factors in Lebanon; generational factors; the amount of affordable housing available to people in the middle income range, and; those who have moved out of the area because their needs/interests/identities were not being met.

Councilor Liot Hill thanked Mr. Katz, Mr. Clem, and Mr. Purcell for their participation, noting there is so much despair around housing. She proposed that the Council discuss the following topics in more depth over the next few months (i.e., taking one topic at a time at each Council meeting).

- ADUs (Accessory Dwelling Units): What are the costs and barriers and how can we lower these costs? Talking with DPW about sharing water/sewer hook-ups.
- Explore financing regarding a City Loan Program and what other cities are doing. How can we create or access other sources of funding?
- CPAC Program: Can we access funding from this source?
- The Cottage Court-style Community concept.
- Regional issues: Explore how Lebanon's neighboring communities can/should be part of a solution (for affordable housing).
- Transportation: How this could provide a more affordable housing stock in Claremont, Windsor, West Windsor, Springfield, etc.
- 79-E Program.
- Lebanon Housing Authority/Twin Pines Housing: Explore how can we build out/support them more.

Mayor McNamara noted this is the beginning of the conversation and not the end. There is no one solution for anything. We just need to identify what the tools are to make sure we are using everything we can to solve this problem.

City Manager Mulholland informed the Council that specific directions be given to staff as to what the Council would like them to do.

3. ADJOURNMENT:

The meeting was adjourned at 9:00 PM.

Respectfully submitted,
Dona E. Gibson
Recording Secretary