LEBANON HOUSING TASK FORCE
JANUARY 27, 2025 - 8:15 AM
COUNCIL CHAMBERS, CITY HALL OR REMOTE VIA VIRTUAL PLATFORM
LEBANONNH.GOV/LIVE

1. **Call to Order**

   A. To participate in this meeting, please join live via Microsoft Teams or call 929-229-5356 (access code: 456 645 279#). If you have trouble accessing this meeting, please email catheryn.hembree@lebanonnh.gov.

2. **Approval of Minutes**

   A. December 16, 2024

3. **Study Items**

   A. Housing Opportunity Planning Grant consultants

   B. Diversity, Equity and Inclusion Commission Request - Tia Winter/Public Housing Funding Model

4. **Other Business**

5. **Future Agenda Items**

6. **Adjournment**

The order of agenda items is subject to change.

Meetings are open for in-person and remote attendance. Members of the public who wish to attend remotely may do so by visting 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 disrupt virtual or phone connection(s), the meeting will continue without remote access capabilities.

If you have any questions, please contact the Planning and Development Department by sending an e-mail to planning@lebanonnh.gov, or by calling 603-448-1457, or by visiting the Planning and Development Office located in City Hall during regular work hours, Monday through Thursday, 7AM to 5PM. You can view the entire agenda packet on the City's website at LebanonNH.gov/Agendas.

DRAFT

HOUSING TASK FORCE
REGULAR MEETING MINUTES
Remote Via Microsoft Teams
LebanonNH.gov/Live
Monday, December 16, 2024
8:15AM

MEMBERS PRESENT: **Mayor Tim McNamara, Ellen Smith Ahern, John D'Entremont, Ryan Dube, Andrew Faunce (remote), Tia Winter**

MEMBERS ABSENT: **Susan Almy, David Duncan**

STAFF PRESENT: **Catheryn Hembree, Tracy Hutchins, City Manager Designee**

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1. CALL TO ORDER – Meeting was called to order at 8:21AM by Mayor McNamara.

2. APPROVAL OF MINUTES:

Mr. Andrew Faunce MOVED* to approve November 18, 2024 Minutes as amended. The motion was *Seconded by Mr. John Dentremont.
Amendments:
Susan Almy was absent from the meeting.

**** The MOTION was approved (7-0)***

3. STUDY ITEMS:

A. Building Official - Minimum Housing Standards
Mr. Leigh Hays, Chief Building Official and Health Officer role, came to discuss State minimum housing standards, under Title III, Chapter 48-A. His department gets the complaints about buildings and investigates only these specific complaints in his role as a safety officer. He applies the minimum standards and can only enforce the health officer capacity of his roles. If he sees other issues or violations, he sites these under other Item numbers, such as Item 3 for electrical violations. He elaborated about how things work and the fact he brings in others as needed, such as the Lebanon Fire Department.

Mr. Faunce asked which violations he sees most frequently, and he said currently heating issues and ongoing roach infestations. He has limited authority within owner-occupied single-family homes. In these cases, he might try to pull in other partner agencies to help.

B. Continued Discussion of the Housing Master Plan Chapter
Mayor McNamara recently read the 2012 version and realized they need to have and utilize the 2020 census data, utilizing the same format as 2010. It would also be helpful to have a spreadsheet with both 2010 and 2020 data on it, side by side, along with any updated information since 2020, so that they continue to see the trends.

Mayor McNamara said that the City is below 1% vacancy rate now. It was agreed that this task force needs historical data wherever possible, and this information over a span of time can also provide trending insights as they prepare a Master Plan 2.

Ms. Almy said suggested Jim Kenyan from the newspaper could provide some history on homelessness, but it would need to be factual to be relevant. Mayor McNamara suggested The Haven as another source as well.

Mark Farnham, Ward 2, (virtual) said the Police Dept used to keep rough numbers in their logbooks so these records could be another source of historical information.

Mayor McNamara noted the key takeaway is that they need a more thorough discussion of the homelessness situation, and expounding on trend data for housing supply helps, including that of new home construction, multi family home apartment construction, etc., as they prepare their Master Plan 2. This could be a guide for them, utilizing year to year as opposed to decade to decade.

Mr. Faunce provided the names of other vetted sources for data including New Hampshire State Housing Finance Authority and the American Community Survey (ACS). This is the same group that conducts the census. They conduct these annually and their data point on housing is extensive.

Mr. Faunce will get the ACS report out to this task force, in advance of their January meeting.

Two other considerations posed by Mr. Farnham are the inventory of unbuilt lots on City services, as well as the capacities of water and sewer needing to be considered and how much room the City has for more housing within the current context of the existing infrastructure. The goal is *intelligent infill.* Ms. Almy said that the Conservation Commission has documentation about properties that could prove useful in this matter.

A routine commute is up to about ½ hour, before it is considered a burden, so if this can be improved, you have improved the housing situation for Lebanon. This too needs to be a consideration in their new Master Plan 2.

Mr. Faunce would like to encourage our neighbors (e.g. Hanover) as well as regional cooperation around meeting the housing needs and likewise encourage housing considerations by our key employers such as DHMC and Dartmouth College. And the Master Plan 2 overall needs to tackle the issue of sustainability, addressing the overall rise in population, standard of living, expectations, waste generation, overall consumption, etc.

Mayor McNamara next shared some history about a prior project, Rivercrest Project in Hanover. There was a plan for 234 housing units (multi family, duplexes, et.), it was ready to go, but then got declined by the trustees due to the recession in 2008. Nothing has happened there since then and it is still sitting completely unutilized. He is hopeful it will be resurrected. This type of project would positively impact the area and have an enormous positive impact on housing.

He also shared his concerns about the “missing middle” and cited Lebanon Housing Authority and Twin Pines as examples of what can be done with subsidized housing. The latter is a small-scale effort to utilize municipally owned property, one 5-unit cluster of cottages on Barrow Street that will be sold at cost, and have a restriction on resales, This has been a successful model nationally. The hope is for this to serve as a model for other property owners and builders.

Between skyrocketing construction costs, limited construction workers, etc. this is a way to move the market some now, and perhaps the market will catch up. Demand is up, but since costs are up as well, this impacts supply. The new Master Plan 2 needs to address increasing costs of construction and the impact on supply.

Ms. Almy stated her concern about us losing our middle in Lebanon, since many are moving to neighboring areas, and seniors to both North and South Carolina. She is encouraged about the new initiative housing plan that focuses on infill and goes through the planning board faster. Ms. Almy said she is pushing this at the State level.

Mr. Hayes came here from Claremont, NH (there since 2009) and has been here a few months. He thinks Lebanon has a lot more going on with construction than Claremont, but the trends of higher property taxes, people moving away, etc., is the same in Claremont as in Lebanon. Vacancy rates, illegal rentals, as well as homelessness also appear to be similar. He commented that since property values are higher in Lebanon, builders would have more profit margin in Lebanon than in Claremont. Both cities have similar trajectories though, including vacancy rates around COVID-19.

The State of New Hampshire has started a builders' association and had their first meeting in November. Mr. Dube suggested they have a stakeholder(s) in this group, to help them with their efforts and to gain better understanding. They need to get some meeting summaries or reports, and so this task force will reach out to the Housing Finance Authority. Mayor McNamara suggested they invite them to come speak to this Lebanon Housing Task Force and he will get this information to Catheryn Hembree so that she can invite them.

Lebanon is receiving a second Champions Housing Award, BEA and is being recognized as using what tools we have available to expand our housing stock. This recognition gets us to the head of the line for grant money and there are four (4) specific programs we can be considered for, and it gets us to the head of the line. This brings funds back into the system so that it can be revenue neutral, rather than on the backs of taxpayers. Mayor McNamara is going to Concord to receive this award.

A policy question for this task force is how best to help people become homeowners. Most construction projects are rentals, as opposed to single family homes. A recent example is the Prospect Street project, which are small single-family homes that will be rented out. Most of the stock coming in is for rentals, not homes. This needs to be a policy issue given consideration for the new Master Plan.

Mayor McNamara observed that while home values go up, market rentals are going up even more. This too needs to be part of their discussion in their Master Plan 2. New Hampshire does not have multiple tax rates. There is only one tax rate for all properties, residential, commercial, industrial, etc. Mayor McNamara said it could be timely to bring this topic up again.

There is growing sentiment in the State that perhaps was non-existent 20 years ago. This task force needs to address this, such as external factors with people , hospitable area, climate refugees, unsafe rental conditions, the need to address remote workers versus where they live, short term rentals, (no way to evaluate these except antidotal, many are unsafe and the landlord is not telling the City so perhaps no fire inspections, enforcement concerns, reactionary, complaint driven due to staffing limitations, permitted only (they do not see the non-permitted ones). While this is a concern, it is not at the same level of other areas, due to the current low number of units involved.

Another resource for accurate housing information would be the Taxing Authority.

It was agreed that their Master Plan 2 will need to check off what they have achieved (current outcomes) along with new goals.

C. Discussion Re: Upcoming goals for the January meeting with consultants

The January meeting will be their initial conversation with Steve Whitman, a Plymouth, New Hampshire consultant recommended by Tim Corman. Lebanon residents can tell him what is important. It was agreed to get Mr. Whitman the former Master Plan, in advance of the January meeting, where they want to take this, etc. The scope is still open, but the core will be statistical background (all in the packet) and outlines what the next 18 months will encompass. He will work for the task force

Catheryn will look up the consultants' notes for the task force to review.

Mr. Farnham (virtual) suggested a non-binding referendum question "do they (residents) favor highly density housing?

The City is trying another approach to get feedback, a DHMC zoning public engagement session as 7:30 AM Wednesday mornings for employees to participate and educate them on. The public wants to understand. From the two meetings thus far, public feedback has been positive.

Mayor McNamara suggested they would need to provide people some background information to give property owners perspective since it is a complicated situation and ask. This task force needs to find a way to present this to residents in a way that they fully understand and not be put off by it. This will be a "municipal" election, so the turnout tends to be a bit skewed compared to general elections.

Catheryn said it will be up for vote in March 2025, to increase density, cut lot size, reduce setbacks, etc. The writing of exactly what will appear on the ballot will need to be thoughtful. Public feedback so far has been positive based on neighborhood sessions.

4. OTHER BUSINESS:

5. ADJOURNMENT:

Ms. *Susan Almy MOVED* for adjournment.
Seconded by Mr. Andrew Faunce.
****The MOTION was approved 8-0***

The meeting was adjourned at 9:46AM

Respectfully submitted,
Cinda Mersel
Recording Secretary

Housing Opportunity Planning Grant

City of Lebanon, NH

PROJECT OVERVIEW

In November of 2024 the City of Lebanon was awarded a $100,000 Housing Opportunity Planning (HOP) Grant through the InvestNH Municipal Planning & Zoning Grant Program. As part of this initiative, Lebanon representatives will participate in a Housing Academy to build local capacity to address housing matters, and the City hired a consultant team to assist Lebanon with the completion of tasks under the scope of work. The consultants selected include Resilience Planning & Design, RKG Associates, and Fougere Planning & Development. This team has worked together on several similar projects in New Hampshire.

PROJECT SCOPE

Housing Needs Assessment and Market Analysis (Spring 2025)
This phase of the project will be focused on gathering and analyzing a comprehensive data set that includes up-to-date demographic, housing, and economic information specific to Lebanon. This will help develop an understanding of who is seeking housing, the range of housing solutions desired, opportunities and limitations associated with the existing housing inventory, and the connection to jobs and Lebanon's economy, including land values.

Regulatory and Compliance Audit (Spring 2025)
This phase of the project will include a review of Lebanon's land use regulations (Zoning, Site Plan, and Subdivision Regulations) against the Master Plan and Strategic Plan for general compliance, and to identify any housing related disconnects. Recommended regulatory changes and additions will also be identified based on the findings of this Audit. This will include a tailored review of existing and recommended financial tools to incentivize workforce housing development.

Community Engagement (2025-2026)
The Housing Needs Assessment, Market Analysis, and Audit Findings will then be used to engage the public and local decision makers in planning for housing in Lebanon. A variety of outreach strategies will be used, and an outreach plan will be drafted early in the project to guide these efforts.

Master Plan and Strategic Plan Updates (2025-2026)
The project will update the Neighborhood and Housing functional area of the City of Lebanon Strategic Plan and Chapter 07: Housing of the City of Lebanon Master Plan. This will include a Housing Strategy that clarifies the regulatory and non-regulatory approaches that are recommended as near-term and long-term actions. The final formatting of this chapter will establish a new Master Plan format that may become the new standard for all chapters that follow. The new format will be concise, user friendly, dynamic, attractive, and functional. The Chapter will deliver a clear vision, tell a compelling story about housing in Lebanon now and in the future, and be the action-oriented public policy document the community needs to expand housing solutions.

In December of 2024 the City of Lebanon also received Housing Champion Designation from the New Hampshire Department of Business and Economic Affairs. This recognition will provide additional opportunities for Lebanon to apply for upcoming grant programs in 2025 and beyond.

On Montgomery County, Maryland's Public Housing Funding Model

From: Conor Dougherty, "This Is Public Housing. Just Don't Call It That." New York Times 25 August 2023. https://www.nytimes.com/2023/08/25/business/affordable-housing-montgomery-county.html

"Montgomery County is trying to address this with a bit of creative finance that, in effect, lowers the cost of development. Here's how it works: When a developer builds a project, it typically teams up with a private equity firm that puts up about a third of the cost. (The rest comes from a bank loan.) They want a return, however, and the money isn't cheap. The going annual rate in private equity is in the mid- to high teens, Mr. Quinn said. A $50 million investment, for example, is expected to return about $90 million after four years—money that is made up for with rent.

So in 2021, the Montgomery County Council voted to create the $100 million Housing Production Fund. The fund allows H.O.C. [the Housing Opportunites Commission of Montgomery County] to replace private equity as developers' main source of investment, and charge a 5 percent return. The discount saves the developer tens of millions of dollars off the project's effective cost.

There are, of course, conditions. H.O.C. demands that projects built with the Housing Production Fund have a higher share of below-market-rate units and deeper affordability than what is currently being built. Most of the time, developers in Montgomery County set aside units for people earning 65 to 70 percent of the area's median income. Some of the units at the Laureate, however, are available to families that earn less than 50 percent.

EYA still makes money. It gets a fee for overseeing the project, and because H.O.C. projects are exempt from property taxes, and because it is willing to take a low rate of return, the building can profitably operate with double the normal number of affordable units.

This isn't going wipe away the region's entire affordability problem: Creative financing can lower rents only so far, and in high-income areas like Montgomery County even "affordable" is expensive. Ms. Sylla has a steady professional job but is still paying half her income in rent, which housing researchers consider "severely rent burdened." But the fund is adding housing to a region that badly needs it, without federal subsidy, and doing it with better affordability than private actors can provide.

"There is this common conception that the public sector just regulates the market," said Paul Williams, executive director of the Center for Public Enterprise, a nonprofit in New York that encourages greater public investment in the economy. "But in Montgomery County they've realized they can play in the market, too, and bring more public benefit than the private sector is structurally capable of."

From: William Merrifield, "Montgomery County, Maryland is Building a Network of Social Housing at Virtually Zero Cost- Here is How They Do It." *The Center for Social Housing and*

Public Investment. 18 December 2023. https://www.socialhousingcenter.org/blog/in-montgomery-county-maryland-they-are-building-a-network-of-social-housing-and-it-cost-the-county-virtually-nothing-here-is-how-they-do-it

"In fact, to understand how to finance and scale social housing in the District, we can look right across the border to Montgomery County, Maryland and its Housing Authority, known as the Housing Opportunities Commission (HOC). HOC's social housing model has shown that with a minimal up-front investment, a government agency operating in the DMV housing market can stand-up a network of social housing that is replicable and scalable. In fact, the most remarkable aspect of the Montgomery County system is its efficiency. Recently, HOC created a $50 million revolving Housing Production Fund (HPF) that is projected to create around 750 units of municipally owned social housing in its first 4 years. The cost to the county for all this? About $600,000 annually. Yes, you read that correctly- $600,000 per year. Now, consider that Montgomery County's annual budget is almost $6.7 billion and it becomes clear that for budgetary purposes, the County's social housing model cost virtually nothing. Its first project, a building called the Laureate, was recently featured in the New York Times. Below is an explanation of how HOC officials are doing this, and their plan for moving forward.

In August of 2021, HOC issued a $50 million bond, that bond was backed by the commitment of an annual $3.1 million appropriation from Montgomery County each year for a period of 20 years. HOC took this $50 million and converted it into the HPF. Next, HOC took this money (all $50 million) and loaned it to developers to use as capital to construct housing. As the New York Times article points out, the fact that the funds were loaned in the construction phase of a project is important. Normally these construction loans come from private equity and those firms charge extremely high interest. HOC loaned this money out at 5% interest. These lower interest rates save millions of dollars in the construction phase of the buildings.

In the case of the Laureate [the first HPF-funded project], once the construction phase of the project was completed, the building was leased up with tenants. This is called the stabilization period (construction completed and leased up with tenants). It is during this stabilization period that HOC refinanced the project. Upon refinancing, HOC took a majority stake in the project; thus, creating municipal ownership. Permanent financing also allowed HOC to repay the initial Housing Production Fund investment. Once repaid, that money reverted back into the Housing Production Fund so that it could be deployed as construction capital for HOC's next social housing project.

Understanding how HOC leveraged debt to recapitalize the Housing Production Fund is crucial to understanding the power of its model. By being able to pay back the initial low-cost construction financing every-time a project becomes stabilized, HOC has made the Housing Production Fund revolving in nature. This means that the initial $50 million fund will be able to continue working to fund new projects into the future without additional government investment. This debt leverage allows HOC to operate with a huge source of capital. This capital, which is always looking to be deployed into the next social housing projects, allows HOC the ability to be nimble and close on projects quickly. The first rotation of the Housing Production Fund is slated to produce around 750 units of social housing between two projects. Each building is designed to pay for itself in 20 years, and once owned outright, will become assets HOC can use to leverage the creation of more social housing.

So, how does the model I just described only cost Montgomery County $600,000? To understand it, first remember how the $50 million dollar bond was created. It was backed by a $3.1 million allocation from Montgomery County to be paid every year for 20 years, these payments represent the principal and interest payments on the bond. HOC then took that $50 million and lent it out (deployed it) to developers as construction financing at 5% interest. The interest payments on that deployed capital are $2.5 million per year (5% interest on $50 million= $2.5 million). These interest payments revert back to the county which reduced the annual principal and interest payments from $3.1 million per year to $600,000 (3.1 million-$2.5 million = $600,000). But wait, there's more! After 20 years, once the original bonds supporting the $50 million Housing Production Fund are paid off, the revolving nature of the fund means it can persist at zero cost to the county.

To sum it up, the power of the HOC model is this. First, it uses public resources for the public good. This means using municipal bonds to create a revolving fund which provides, low-cost, construction-period financing to build social housing. By providing loans at 5% interest, as opposed to the much higher interest rates private equity demands for those projects, millions of dollars are saved in the construction phase of the project. These savings are realized in the form of lower rents once construction is completed. Controlling the construction period financing also allows HOC to control the type of project being built (social housing v. luxury apartments). Lastly, municipal ownership allows HOC to maximize the public good. This means that HOC can maximize affordability to the greatest extent possible in every deal, while ensuring the projects remain self-sustainable. As one Montgomery County official put it, "we do not need a high return on investment, our return is the public good". The fact that the model is scalable means that, with a larger annual investment, a larger Housing Production Fund could be issued which would result in more social housing being built."