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# BIENNIAL HOUSING PLAN





NEW HAMPSHIRE HOUSING FINANCE AUTHORITY  
**BIENNIAL HOUSING PLAN 2022 - 2023**

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## INTRODUCTION

Recognizing a serious shortage of decent, affordable housing for low-income families and elderly persons, the New Hampshire General Court in 1981 established the New Hampshire Housing Finance Authority, as a self-supporting public corporation. While it is established by statute, New Hampshire Housing is not a state agency and receives no operating funds from the state. Acting as an instrumentality of the state, New Hampshire Housing generates, receives and administers federal and other affordable housing resources. The agency administers a broad range of programs designed to assist low- and moderate-income persons and families with obtaining decent, safe and affordable housing.

New Hampshire Housing is charged by RSA 204-C:47 with biennially preparing or updating a housing plan to “address the housing needs of persons of low and middle income,” and to submit this Biennial Plan to the Governor and Council, the Speaker of the House and the President of the Senate for review and comment.

New Hampshire Housing serves as the primary administrator of housing assistance resources in the state. There are three other state agencies and another public authority established as an instrumentality of the state that contribute either directly or indirectly to housing affordability and affordable housing development. These include the New Hampshire Department of Business and Economic Affairs, Office of Planning and Development; the New Hampshire Department of Health and Human Services, Bureau of Housing Supports; the New Hampshire Department of Energy; and the New Hampshire Community Development Finance Authority. Information contributed by these organizations is included in the Housing Market Update and Program Responses sections of this Plan.

The **2022-2023 Biennial Housing Plan** begins with an overview of Current Housing Market Conditions as of December 2021, followed by summaries of research detailing Housing Needs in New Hampshire. This includes the following studies prepared for New Hampshire Housing: the *2020 Housing Needs Assessment* (Applied Economics Research); *New Hampshire’s Workforce Housing Law: A 10-Year Retrospective* (2021)(Fougere Planning and Development); and *North Country Housing Needs Analysis* (2021)(NH Housing, North Country Council, and Stepwise Data Research).

The Biennial Plan concludes with a summary of Program Responses to identified needs within the following categories:

**HOMEOWNERSHIP PROGRAMS** – New Hampshire Housing operates a variety of single-family programs that assist low- to moderate-income households in purchasing a home or refinancing an existing mortgage. These programs serve an average of 2,000 new households each year. The agency also supports homebuyer education and foreclosure counseling activities.

**RENTAL ASSISTANCE PROGRAMS** – New Hampshire Housing administers a statewide federally funded Housing Choice Voucher (HCV) (also known as Section 8) tenant-based rental assistance program with capacity to serve 4,221 eligible households, and project-based HCV contracts serving an additional 5,400 eligible households. Additionally, over 7,000 additional housing vouchers are administered by 18 independent local housing authorities around the state. Households receiving rental assistance through New Hampshire Housing are encouraged to participate in special programs for financial literacy education and counseling on becoming more self-sufficient.

**MULTI-FAMILY DEVELOPMENT PROGRAMS** – New Hampshire Housing administers the federal Low-Income Housing Tax Credit Program, HOME Investment Partnerships Program, national Housing Trust Fund, and the state Affordable Housing Fund. These programs finance hundreds of units of new affordable housing to the state each year, as well as support the rehabilitation of existing units to

ensure they continue to be part of the state's housing inventory. Some of these resources are used to address pressing supportive housing needs, including both transitional and permanent supportive housing for individuals and families experiencing homelessness, struggling with substance use disorders and mental illness, and those with developmental disabilities.

**HOUSING RESEARCH AND PLANNING** – As the state's primary housing research and planning entity, New Hampshire Housing researches and reports on the state's housing needs, conducts an annual rent survey, publishes housing market reports throughout the year, and issues an annual Directory of Assisted Housing. Staff also provide technical assistance and information to public officials, municipalities, the media and the public.

**COMMUNITY DEVELOPMENT** – The Community Development Block Grant and the Community Development Investment Program, both administered by the Community Development Finance Authority, assist in the development of affordable housing by bringing federal and private investment into New Hampshire communities.

**HOMELESS PROGRAMS** – The New Hampshire Department of Health and Human Services, Bureau of Housing Supports (BHS) is the state grantee of the Homeless Emergency Solutions Grant and the Collaborative Applicant for the Balance of State Continuum of Care funding from the U.S. Department of Housing and Urban Development. These grants are used to prevent homelessness, re-house homeless individuals and families experiencing homelessness through short- and medium-term rental assistance, provide linkages to mainstream services, and assist with permanent supportive housing (with priority given to homeless veterans and the chronically homeless). BHS is the Youth Homelessness Demonstration Program (YHDP) lead for the Balance of State Continuum of Care. YHDP's goal is to create a Coordinated Community Plan to prevent and end youth homelessness. State Grant-In-Aid, financed with state general fund dollars, is primarily utilized to help support homeless shelter facilities.

**ENERGY EFFICIENCY AND FUEL ASSISTANCE** – The state's Department of Energy was established in 2021, and it administers federal fuel assistance and weatherization funds, both of which assist low-income renter and owner households with home energy costs. Utility companies provide substantial funding to supplement federal weatherization resources for low-income residential units.

## HOUSING MARKET CONDITIONS

### Housing Market Overview as of December 2021

The pandemic has intensified the spotlight on housing and highlighted its critical role in the state's economic vitality and to the health of its citizens. There continues to be a great demand for a range of housing types to meet the needs of our current and future workforce. For the state to remain economically competitive, New Hampshire must build more housing that is affordable to its workforce. There is an increased awareness of this need, and a more determined drive on the part of businesses, to create affordable and workforce housing, as well as supportive housing for vulnerable and underserved populations including senior citizens, veterans, persons with substance use disorders, the formerly incarcerated and individuals with behavioural health, intellectual and developmental disabilities. Having a sufficient housing supply enables the state to retain its high school and college graduates, and encourages other residents of the state to establish themselves in New Hampshire communities long term.

During the past two years, New Hampshire's housing market has seen median home sales prices continue to climb while inventory has been exceptionally low. The COVID-19 pandemic accelerated this trend: in August 2021, the state reached a record median home sales price of \$392,200. This was 17% higher than in August 2020, and 33% higher than in August 2019. The inventory of homes to purchase continues to be exceptionally low. Additionally, the rental market throughout the state reflects the same trend, with escalating rents and a scarcity of available units.

Home sales volume over 12 months (November 2020 through October 2021) increased by 1% from the same period in the prior year. An increase in sales in the face of exceptionally low inventory reflects a very strong demand by homebuyers. The supply of homes declined to a one-month statewide inventory in October 2021. Existing homes dominate sales, as new homes represent less than 3% of the market.

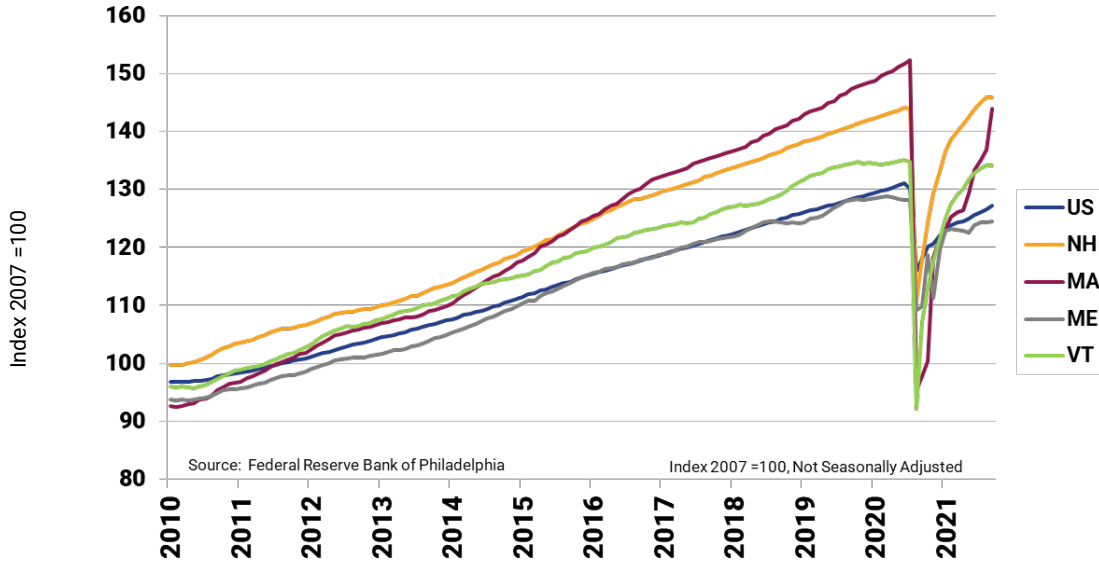
In this same vein, rents continue to climb, with a 24% increase over the last five years. The highest rents are located in the southern counties near the state's largest cities and employment hubs, as well as the greater Boston area. This is also where most of the state's rental housing properties are located. In order to afford the statewide median cost of a typical two-bedroom apartment with utilities, a renter would have to earn 128% of the statewide median renter income, or over \$59,000 a year.

In 2022 – 2023, it is anticipated that the sales trend will return to the pre-pandemic seasonal patterns and could soften somewhat as interest rates rise and the inventory of homes for sale remains tight. The number of building permits issued for single-family homes remains less than half the level experienced during pre-recession highs in 2002 and 2004. Multi-family housing permit activity dropped early in the pandemic, but is now regaining momentum.

## Market Performance Indicators

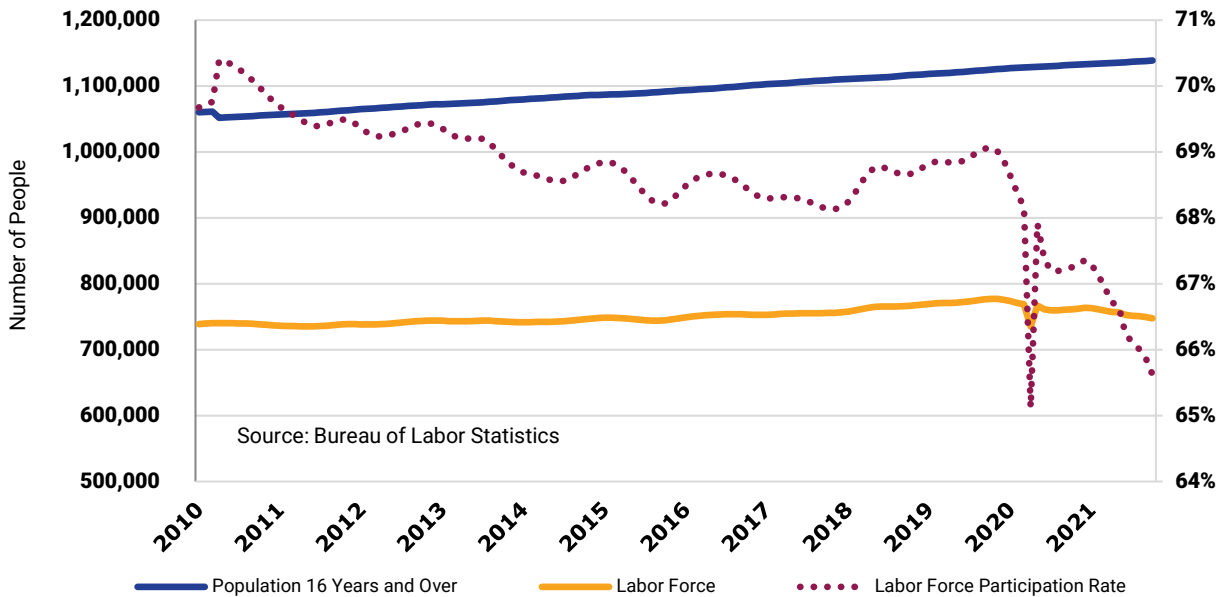
### Economic Activity

New Hampshire's economy appears to have recovered from the impact of the pandemic and is currently the fastest growing state in New England and ahead of the U.S overall.



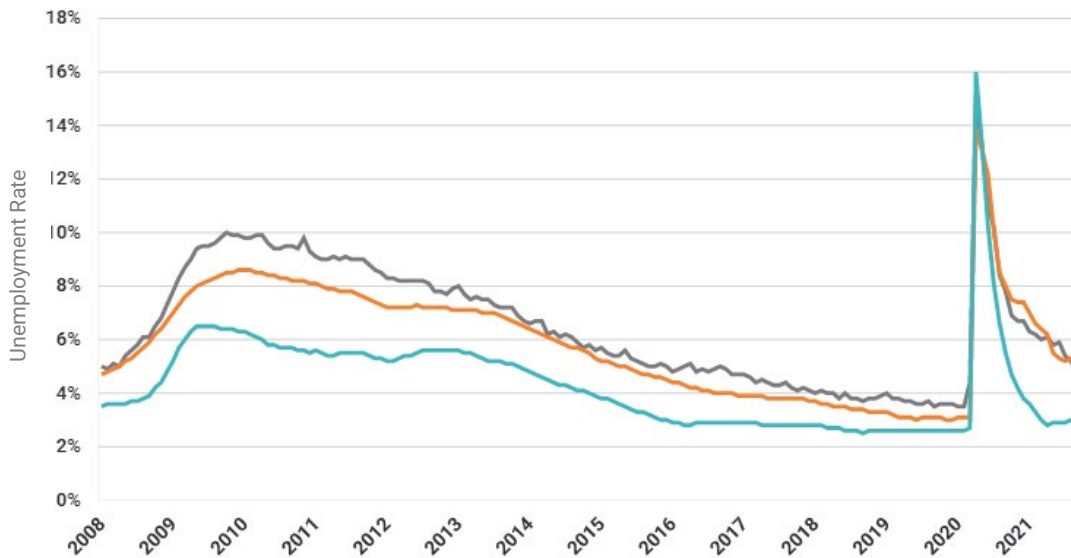
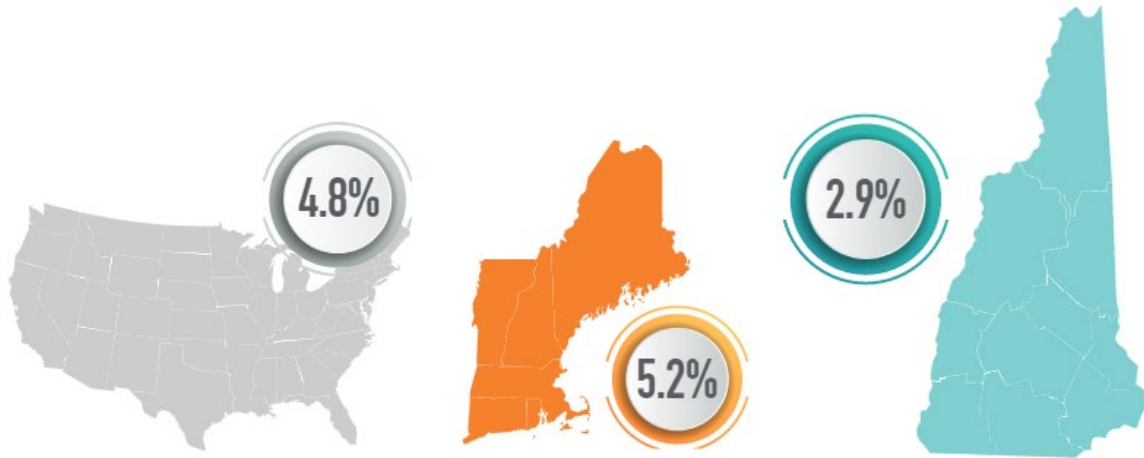
### Employment and Labor Force

New Hampshire's labor force is about 747,000, approximately 4% lower than what it was pre-pandemic when there were 726,000 individuals actively employed in the state's workforce. The labor force participation rate dropped from about 69% in early 2020 to an all-time low of 65.6% in 2021.



### Unemployment Rate (US, New England, New Hampshire)

The unemployment rate in the Granite State has dropped to 2.9%, which is very close to its pre-pandemic level. We have the third lowest unemployment rate in the country, and a rate well below the New England region (5.2%). A low unemployment rate indicates a strengthening economy. As we slowly emerge from the pandemic, workers have abundant job opportunities. While this is a positive for job seekers, it also means that businesses are having difficulty filling job openings. Recruiting and retaining staff is a challenge in such a competitive environment.

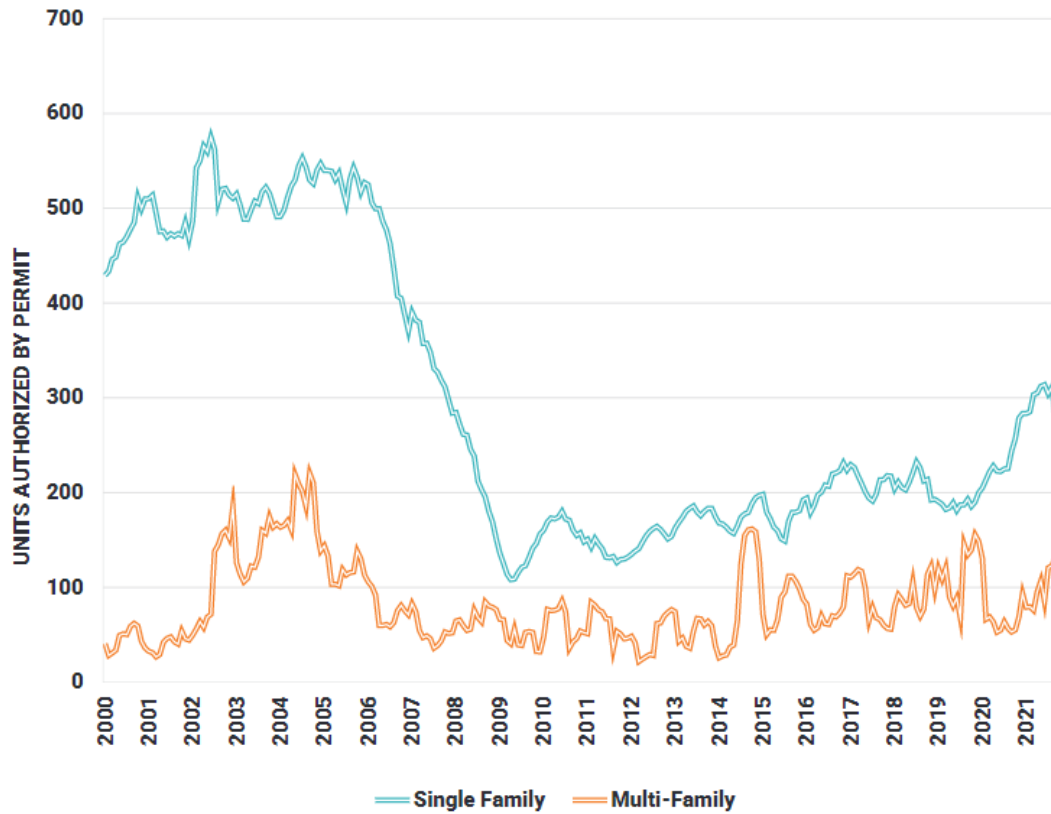


Source: U.S. Bureau of Labor Statistics (seasonally adjusted)



## Building Permit Activity

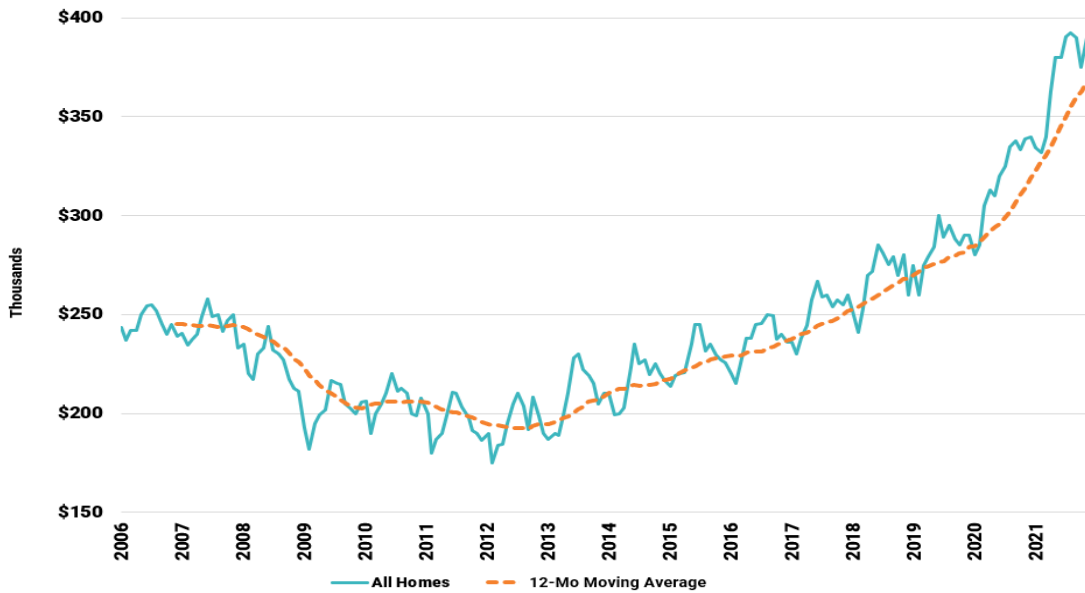
Despite significantly higher building costs, the number of single-family permits issued has increased during the pandemic. However, we are still well below the permit levels reached prior to the Great Recession in 2008. Multi-family permit activity dropped early in the pandemic, but is now regaining momentum and on average has increased in the past three months.



Source: U.S. Census Bureau, Construction Statistics Division (12-month moving average of actual permits issued)

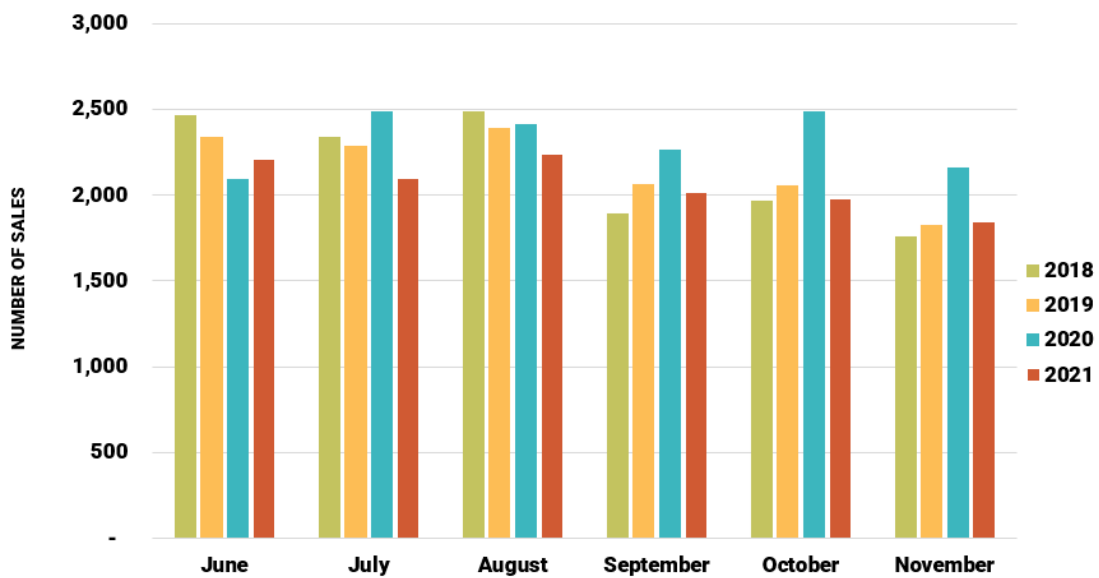
### New Hampshire Home Prices (based on MLS Median Sales Price)

In August 2021, the median home sales price hit a record high of \$392,200. By November, the median sales price was \$390,000, about 15% higher than in November 2020.



### Closed Sales

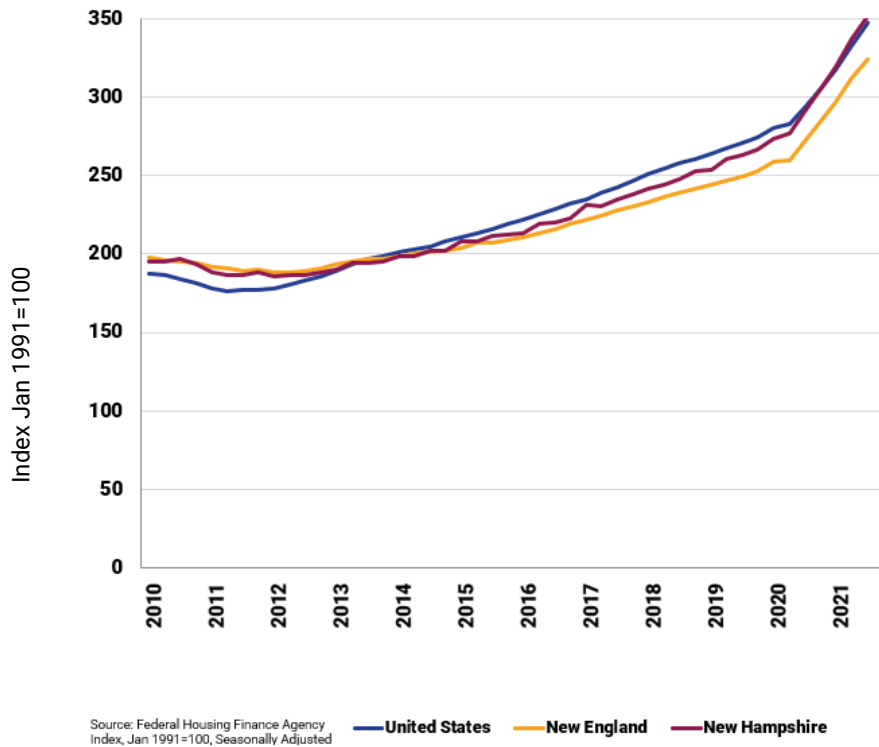
Sales decreased in 2021 from 2020 levels, yet were still strong despite the low inventory of homes. Sales for November 2021 were down 15% compared to November 2020.



Source: Based on information from the Northern New England Real Estate Network and compiled by NH Housing. Excludes land, interval ownership, seasonal camps/cottages, age-restricted, multi-family properties, mobile/manufactured homes and commercial/industrial property.

### FHFA Purchase Price Only Index (US, New England, New Hampshire)

Home prices in New Hampshire increased about 21% from Q3 2020 to Q3 2021, hitting a new peak. New Hampshire has outperformed New England for many years, and pulled ahead of the country as a whole in Q1 2021.

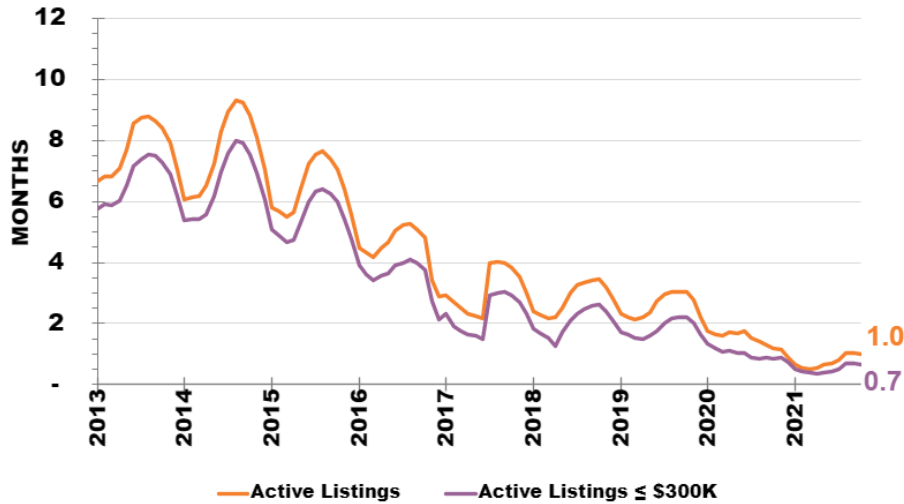


### FHFA House Price Index for New England States (Seasonally Adjusted, Purchase Only Index, Q1-1991=100)

	Q3 2021	Q3 2020	Percent Change	National Rank
<b>Maine</b>	361.83	290.71	24.46%	6
<b>Vermont</b>	319.88	259.8	23.13%	8
<b>New Hampshire</b>	351.9	290.7	21.05%	12
<b>Rhode Island</b>	319.97	264.95	20.77%	15
<b>Connecticut</b>	223.68	189.67	17.93%	22
<b>Massachusetts</b>	378.2	322.46	17.29%	24
<b>New England</b>	324.04	271.41	19.39%	-
<b>US</b>	346.92	292.79	18.49%	-

## Housing Inventory

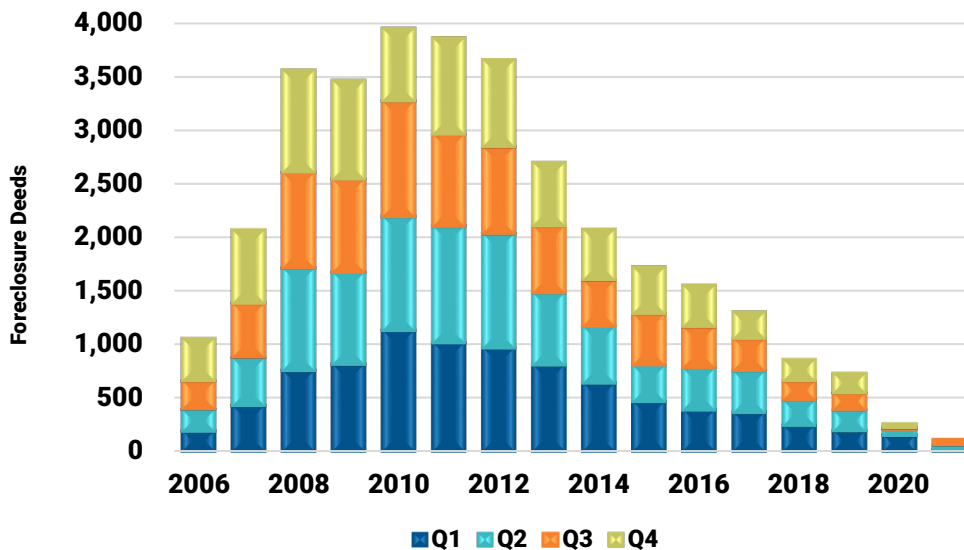
Compared to the number of listings from the past three years, the inventory in 2021 was notably lower. Months of supply of inventory indicates how many months it would take for the current inventory of homes on the market to sell, given the pace of sales. In 2021, it would take about a month to sell off all active listings. For the past five years, homes in NH under \$300,000 have generally been on the market for less than one month.



*Based on information from the Northern New England Real Estate Network and compiled by NH Housing. Excludes land, interval ownership, seasonal camps/cottages, multi-family property, mobile/manufactured homes and commercial/industrial property.*

## Foreclosure Deeds in New Hampshire By quarter

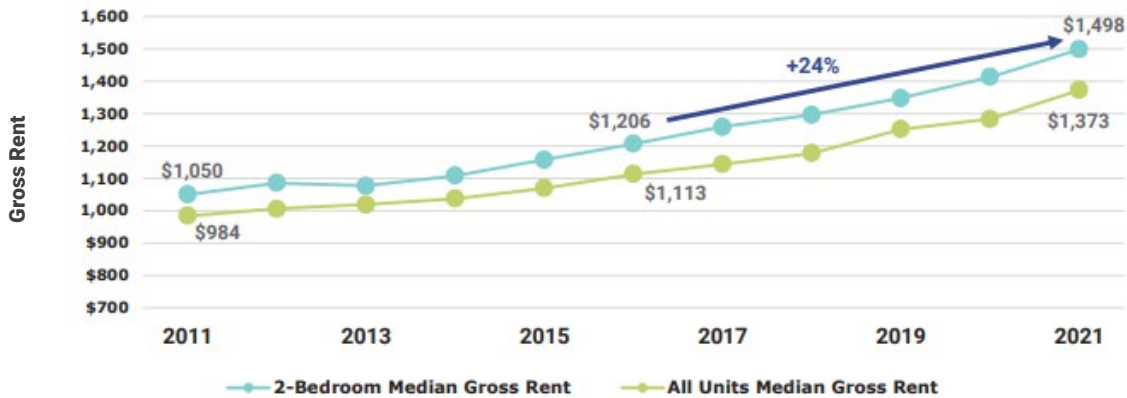
As a result of the state's moratorium and other federal actions limiting foreclosures from early 2020 through the end of 2021, there were very few foreclosures in 2020 and 2021. Also, many homeowners with federally backed mortgages requested a forbearance from their mortgage companies to temporarily suspend or reduce required payments.



*Source: The Warren Group, compiled by NH Housing*

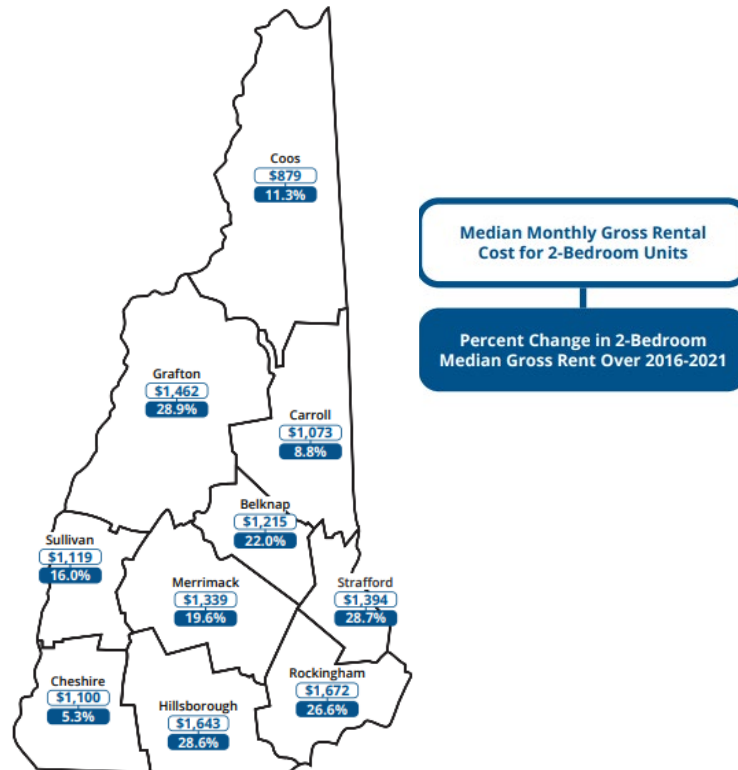
## Rental Housing Market

Very low vacancy rates and rising rents are indicators of the state's ongoing tight rental market, as reported in New Hampshire Housing's *2021 Residential Rental Cost Survey Report*. This strong demand makes it challenging for households to find affordable places to live. The statewide median gross rent for a two-bedroom unit in 2021 was \$1,498; this is an increase of 6% from the prior year and an increase of 24% over the past five years.



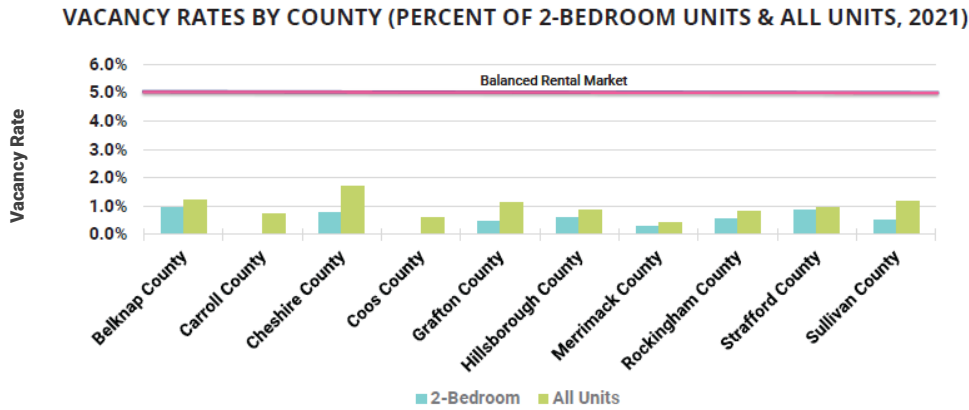
Source: 2021 NH Housing Residential Rental Cost Survey Report

Seventy-five percent of the state's residential rental housing units are located in Hillsborough, Rockingham, Merrimack, and Strafford counties. In the highest demand areas of Hillsborough, Rockingham and Strafford counties, rents reflect proximity to the Boston metropolitan area. Grafton County shows a significant increase in rental costs (30% over the past five years), with most of the rental units and the highest market demand in the Hanover and Lebanon area.



## Vacancies

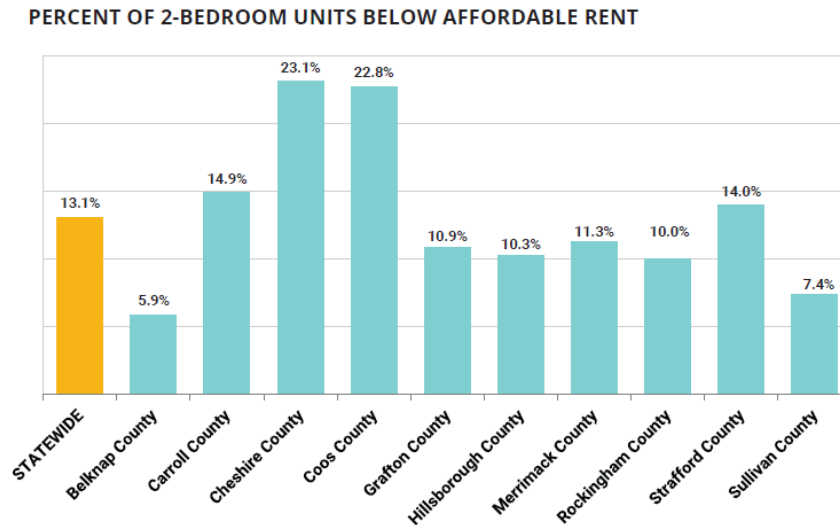
The state’s rental housing vacancy rate in 2021 remained under 2% for 2-bedroom and all units, well below that of the Northeast region (4.3%) and the U.S. (5.8%), as of Q3 2021. In contrast, a balanced rental market has a vacancy rate of approximately 5%.



Source: 2021 NH Housing Residential Rental Cost Survey Report

## Rental Affordability

About 40% of renter households in New Hampshire are paying 30% or more of their household income for rent. Lower-income families are likely to be paying an even higher percentage of their household income towards rent. In general, higher-income counties have access to more affordable units. However, even in the highest-income county (Rockingham), only 10% of the units would be affordable to half of the renter households.



Source: 2021 NH Housing Residential Rental Cost Survey Report

## Homelessness

According to statistics compiled by the NH Department of Health and Human Services, Bureau of Housing Supports (BHS), approximately 1,195 people were experiencing homelessness in New Hampshire on January 29, 2020, as recorded in the annual US Department of Housing and Urban Development (HUD) Point in Time Count. Sheltered and unsheltered household composition included:

- 974 Households without children
- 219 Family households
- 125 Survivor of domestic violence households
- 116 Veteran households
- 526 individuals had serious mental health diagnoses
- 446 individuals were considered to be “chronically homeless” as defined by HUD
- 392 individuals had chronic substance use disorders

Comparing the 2020 and 2019 Point in Time reports, the 2020 total number represented a 16 percent increase in overall homelessness. There was a 22 percent increase in mental health conditions, a 9 percent increase in chronic substance use, and a 51 percent increase in chronically homeless individuals. In addition, during 2020, people experiencing homelessness were at high risk for infection from community spread of the coronavirus. Since a lack of housing contributes to poor physical and mental health outcomes, essential services were provided to BHS program participants to promote independent living, sobriety, employment, self-sufficiency, and housing stability. Essential services including case management are part of a larger Continuum of Care re-housing strategy to quickly link individuals experiencing homelessness to pathways to permanent housing and provide them the skills and resources needed to maintain that housing. BHS funds a continuum of services targeted at ending homelessness for all.

Street Outreach services are provided on the street or in parks, abandoned buildings, vehicles, bus stations, campgrounds, the woods, and in other such settings where unsheltered persons are staying. Effective street outreach touches people who might not otherwise seek assistance or come to the attention of the homelessness service system, and ensures that people’s basic needs are met while supporting them along pathways toward housing stability. With the federal CARES funding, BHS was able to fund additional street outreach activities which served 657 people experiencing homelessness in 2020. This included US Department of Health and Human Services, Substance Abuse and Mental Health Services Administration funding for Projects for Assistance in Transition from Homelessness. The goal of these projects is to reduce or eliminate homelessness for individuals with severe and persistent mental health diagnoses or co-occurring mental health and substance use disorders who are experiencing homelessness or are at imminent risk of becoming homeless.

BHS also provided state and federal funding to over 40 emergency, specialty and temporary shelters that served approximately 2,672 homeless men, women and children in FY20. These shelter programs act as a safety net for individuals and families who have run out of options and would otherwise be without a place to sleep. They are a critical component of the local homeless care network.

Permanent housing solutions are the foundation to providing New Hampshire’s low-income and vulnerable residents with safe and affordable housing. More permanent housing with rental assistance is still urgently needed to combat housing instability, especially for those who are overcoming

substance use and mental health disorders. The lack of sufficient rental assistance to provide permanent and stable housing for many of the lowest income households puts them at the greatest risk of homelessness.

Rapid re-housing programs funded by BHS through Continuum of Care and the Emergency Solutions Grant provide short-term rental assistance and services. The goals are to help people obtain housing quickly, increase self-sufficiency, and stay housed. It is offered without preconditions (such as employment, income, absence of criminal record, or sobriety) and the resources and services provided are typically tailored to the needs of the person. In 2020, there were 200 households served by rapid re-housing programs.

Permanent Housing services provided by the Bureau of Housing Supports served approximately 1,059 persons in FY20. Permanent Supportive Housing provides housing assistance (e.g., long-term leasing or rental assistance) and supportive services to assist households with at least one member (adult or child) with a disability in achieving housing stability.

BHS also funds Prevention and Housing Stability projects, intended to prevent individuals and their families from losing all housing and ending up in an emergency shelter or on the street. Situations could include eviction prevention, homelessness prevention, couch surfing, exiting an institution, self-paying in a hotel, and more. The programs include financial assistance and service costs. In 2020, 4,411 persons were served through Prevention and Housing Stability projects.

Many New Hampshire residents continue to rely on housing supports, illustrating the ongoing struggle that low-income households experience in trying to maintain housing.

The state's *Comprehensive Statewide Plan on Homelessness*, published in December 2020 as part of the Strategic Plan of the NH Council on Housing Stability, sets out a series of concrete objectives:

- Improve housing stability and focus on those at risk of homelessness;
- Invest in a range of housing options to increase the number of people leaving homelessness to obtain stable housing; and
- Create a coordinated and person-centered response system.

Each of these objectives is addressed in a One-Year Action Plan and a Three-Year Strategic Plan.



## Housing Needs in New Hampshire

In the decades before the Great Recession, New Hampshire's housing market was a major driver of the state's expanding economy. But with recent shifts in the state's demographic and economic trends, New Hampshire's current housing infrastructure could end up becoming a drag on future economic growth and stability.

The reasons are multiple: an aging population, shifts in housing preferences among younger generations, a misalignment between housing supply and future demand, and changes in traditional financing paths for homeownership. In the 1970s, 1980s, and 1990s, housing demand was driven by the baby boomers moving to New Hampshire. But as we have seen in many policy areas, much of New Hampshire's housing industry (builders, planners, public officials, etc.) have yet to fully transition away from the mindset of the past, in which consistent rates of high population growth (especially among young families) was the norm. Instead, they need to prepare for a housing model defined by less growth overall, more senior households, fewer young households, financially strained first-time buyers, and changing lending standards.

Shortly before the onset of COVID-19, a study for NH Housing by Applied Economic Research determined that New Hampshire had a deficit of 15,000 – 20,000 housing units. This deficit was attributed to the following key factors:

- 1. A tight and unaffordable housing market.** Inadequate housing construction has stressed the state's housing market in two important respects. First, insufficient new construction has suppressed housing availability and choice. Rental vacancy rates have been hovering around 1 percent, versus a desirable level of five percent. On the ownership front, there has been an unsold inventory of under four months, versus a desired level of 6 to 12 months.
- 2. A housing affordability squeeze.** Housing costs, both rental and ownership, have increased faster than household income in the state. As a direct result of the diminished pace of housing construction and the slow rate of income growth in the recovery after the Great Recession, rents and home prices rose faster than incomes between 2010 and 2019. Therefore, housing affordability and choice have been less favorable than would have been the case if housing construction and income growth had been more vigorous. This is particularly true for new housing: between 2010 and 2019 median cost rose 51% versus a 17% rise in median household income. Almost one-third – 165,000 – of the state's households are paying more than the recommended maximum 30 percent of their income for housing. The burden is especially acute for renters, young households, and for seniors.
- 3. Robust job growth and a shortage of labor.** Between January 2010 (when the state's recovery from the 2008-2009 recession began) and February of 2020 (just before the COVID-19 impacts began to be felt), New Hampshire experienced robust job growth, adding 70,000 jobs. The state's labor force, however, did not keep pace with this job growth, expanding by only 28,000 during this period. The result is a labor shortage – the state's unemployment rate has been 2.5% for most of the 2015-2020 period, generally the lowest or near lowest in the nation. This labor shortage had been the state's primary economic development issue before the COVID-19 crisis.
- 4. Weak housing construction.** One key factor driving this labor shortage is that new housing construction has fallen far short of what is needed to provide support for the state's job growth after the Great Recession. AER estimates that there is a current housing shortage of approximately 15,000-20,000 units. In a normally functioning market, strong job growth would attract new workers by (1) bringing the unemployed back into the ranks of the employed, and by (2) attracting the migration of new workers to the state with the construction of new housing. At the recent pace of construction, it would take three to five years to eliminate this housing shortage, other things being equal. New

Hampshire residents have returned to the ranks of the employed. However, the state has not built enough housing units to enable migration and population growth, thereby easing the labor force crunch.

The sub-par pace of new housing construction has resulted in a limited supply and rising costs for both rental and ownership housing. The gap between housing costs and household income is particularly wide for new housing. This sets up a dysfunctional cycle in which prices and rents rise because of a suppressed pace of construction, and construction is suppressed because of the narrowing affordability of higher priced new units. For example, most of the state's new ownership units have been built in the \$350,000 and over price range, which is not affordable to the broad spectrum of middle-income households in the state. Therefore, there is a mismatch between the cost of new housing and the price range middle income households can afford.

Several factors have coalesced to generate a disappointing pace of new housing construction, despite the state's strong economy and favorable interest rate environment. Among the factors are:

- A shortage of buildable lots in the state's prime southern markets (Hillsborough, Rockingham, and Strafford counties). This shortage of available lots has driven up lot prices and provided an implicit incentive for developers to build more expensive homes that carry higher profit margins;
- A continuing misperception in many communities that new housing generates a plethora of school-age children and does not "pay its way," despite evidence to the contrary;
- Increasingly restrictive zoning and subdivision standards (road standards, large minimum lot sizes, etc.) in many communities and approval delays; and
- A shortage of skilled workers in the building trades.

### Changing Housing Preferences

The state's housing supply is poorly aligned with evolving preferences among different age groups.

This mismatch exists both for aging baby boomers and younger workers. Older residents are likely to seek to "downsize" to smaller residences, yet housing units of 3+ bedrooms far outnumber one- and two-bedroom units in the state. In addition, the younger households are, the less likely they are, in general, to be homeowners compared to previous generations. In fact, each new group of young people is increasingly less likely to become homeowners. Moreover, financial pressures cause younger generations to gravitate toward more non-conventional housing solutions, including co-ownership and "doubling up," and a preference for the flexibility associated with renting.

As millennials age, establish careers and build families, however, those 3+ bedroom properties may be of interest provided their careers can be pursued in the state. Baby boomer owners are aging in place partly due to a lack of smaller quarters; move-up buyers are staying in place and investing in improvements due partly to their current low interest rate mortgages; and younger buyers are delaying purchases for careers, student debt, differing lifestyle preferences and later relationships. In other words, evolving preferences may not be so different from the previous generation, just acted on at a different time in the life of each population segment. This has contributed to a mismatch in housing needs and preferences versus the inventory available in the market.

The state's Accessory Dwelling Unit (ADU) law, which became effective in June 2017, may help to mitigate some of the timing mismatch. The potential benefit from this law is more efficient use of existing housing stock that may provide an affordable housing option for many low- and moderate-income residents and older adults who wish to age in place and accommodate health care and income needs. In addition, many ADUs can easily convert to other uses, such as office space. This flexibility responds naturally to the dynamic demand of housing markets affected by demographic shifts. In 2018 NH Housing published two guides – one for municipalities, one for homeowners – to aid these two groups in implementing the new law and creating new ADUs.

## Impact of COVID-19 on New Hampshire's Housing Market

The pandemic that began in early 2020 has significantly impacted people's jobs, budgets, and health. The impact of the pandemic on the housing market was evaluated in NH Housing's 2021 study, *North Country Housing Needs Analysis*. This study found that the pandemic appeared to have caused an unexpected real estate boom in the state and throughout the U.S. Housing demand surged in New Hampshire in the summer of 2020. This surge added pressure to the state's already tight housing market. By November 2020, both the number of homes sold in New Hampshire and the median sale price were up 17% compared to one year earlier. Prices have continued to rise to new record levels.

The surge of sales, possibly combined with a reluctance of some buyers to list their houses due to COVID-19-concerns, reduced the number of homes on the market. By December 2020, the number of listings was down 23% from the previous year, and inventory was down to the equivalent of about one month. By late 2020, houses in most areas of the state continued to sell briskly at or above their asking prices, and those priced under \$300,000 were selling within about a month.

Both the increase in home prices and low inventories began long before the onset of the pandemic. The average days-on-market for single-family homes fell steadily from 2012 to 2020, as median sale prices rose. These trends suggest that falling supply and rising demand were already pushing home prices higher before COVID-19 exacerbated these conditions.

In the past year, supply and days-on-market continued to fall as prices continued to rise. At the end of 2020, the constrained supply may have started to limit the interest of some buyers to be active in an extraordinarily competitive market, and prices stabilized somewhat in December 2021.

Considerable attention has been given to the impact of out-of-state buyers fleeing urban areas in search of a more rural lifestyle, with the assertion that they are driving local buyers out of the market. Analysis conducted by NH Housing staff on deed records indicate that while there has been a modest increase in the proportion of buyers from other states, particularly Massachusetts, most buyers in New Hampshire are from the Granite State. In fact, most homebuyers are local to their own markets.

## Workforce Housing

On the tenth anniversary of the state's Workforce Housing Law, New Hampshire Housing commissioned a study to review municipal responses to the law and the law's impact on the development of housing. The consultants for this 10-year retrospective conducted a review and assessment of land use regulations and processes and interviewed staff of 33 municipalities in New Hampshire in the first quarter of 2020. From that sample, 10 NH municipalities were featured as case studies to represent a diversity in population, governance structure, and location, and the impact of the Workforce Housing Law on their community's housing development.

The resulting report included a series of key findings. These findings emphasized the ongoing importance for state and local leaders to understand the relationship between housing supply and economic growth and to continue educational efforts to help those leaders understand what workforce housing is, and is not. The report also found that some of the law's ambiguities present challenges for local land use boards seeking to understand their communities' obligations under the law. Additionally, the report found a strong ongoing need for sensible local planning that identifies areas within a community that are appropriate for development of higher densities and for open communication with the public about the intentions of planning, as well as specific plans for development. This calls for partnerships among public agencies and private entities that are seeking to develop housing.

## North Country Housing Needs Analysis

Recognizing the uniqueness of the North Country's economy, a regional needs analysis was undertaken to provide a comprehensive review of the region's housing needs, with a particular focus on

Coös County. At a time when housing markets throughout the country are experiencing acute supply shortages and escalating prices, this study provided an exhaustive analysis of the forces at play in the North Country’s housing market, along with policy recommendations specifically tailored to the region’s unique needs and characteristics.

The *North Country Housing Needs Analysis* identified a range of key issues underlying the housing supply and affordability crisis in the state’s North Country, including: a declining and aging population; available rentals too far from amenities; lack of affordability for low-wage and middle-class households; lack of issue buy-in from the business community; and lack of capacity for solutions at the local level.

The study also developed a set of policy recommendations to address the root causes of the housing challenge in the North Country. Among these recommendations are the following:

1. Align existing funding programs and policies with regional housing needs.
2. Develop a new program to help lower-income and first-time buyers compete in today’s COVID-impacted housing market.
3. Launch an advocacy campaign for comprehensive, regional, participatory solutions.
4. Increase local capacity for long-range planning and regulatory solutions.
5. Develop model ordinances and technical assistance for a variety of asset-based local housing regulations that produce desirable, locally relevant, housing development and reinvestment.

In addition, the study also suggested further research and analysis of establishing a “homeshare” program; the use of affordability covenants; repurposing tourist accommodations; support for accessory dwelling units as a type of scattered workforce housing; development of a regional housing entity; and the use of tax-sale properties for reuse as deed-restricted affordable or workforce housing.

### **Council on Housing Stability**

The Council on Housing Stability was created by Governor Sununu by Executive Order 2020-22 on November 18, 2020. The Council brings together a broad base of diverse stakeholders for the purposes of developing and implementing a plan to create housing stability for all citizens of the State of New Hampshire. In doing so, the Council is tasked with addressing a broad-based set of challenges and providing short- and long-term recommendations to support planning, policy and resource allocation for statewide, regional and local community-based efforts. The Council is co-led by the New Hampshire Department of Health and Human Services, the Department of Business and Economic Affairs, and the Community Development Finance Authority.

The Council submitted its *Initial Report and Action Plan* in December 2020. The purpose of this initial plan was to inform immediate actions that would support the goals of the Council and to set a framework to guide the development of a long-term strategy. The plan can be found at <https://nhchs.org/wp-content/uploads/2020/12/CHS-initial-plan-12.14.2020.pdf>.

In June 2021, the Council released a three-year *Strategic Plan* to promote housing stability and tackle homelessness for residents of the Granite State. The plan is New Hampshire’s first comprehensive strategy to address all aspects of housing and homelessness. It outlines actionable next steps and mechanisms for deploying resources with a focus on two significant goals: address housing needs with an increase of 13,500 units of housing by 2024 and make homelessness rare, brief and one-time in New Hampshire. An overview and full version of the plan can be accessed via <https://nhchs.org/strategicplan/>.

## PROGRAM RESPONSES TO NEEDS

In its role as the primary provider of housing assistance resources in the state, New Hampshire Housing collects and analyzes data to evaluate the housing needs of the state's low- and moderate-income households. Rental cost, purchase price, and foreclosure data are analyzed and published regularly, and other aspects of housing are examined by staff and consultants as needed. Although resources have never been sufficient to address all of the housing needs of low- and moderate-income households of the state, New Hampshire Housing has assisted tens of thousands of households through its various programs.

In order to determine how best to utilize the resources at its disposal, NH Housing conducts an annual strategic and program planning process which is informed by both performance data and business partner input solicited through surveys, interviews, and other means. New Hampshire Housing publishes its program plan each year and posts it at [NHHousing.org](http://NHHousing.org).

### HOMEOWNERSHIP

The home-purchase market continues to be very difficult for low to moderate-income homebuyers. While mortgage rates have been historically low, prices have accelerated significantly more than increases in income. Additionally, an historically low inventory has made the market very competitive, disadvantaging low- to moderate-income homebuyers. Additionally, first-time homebuyers lose out on purchasing a reasonably priced home to buyers with stronger assets and credit. Higher-income homebuyers have more buying power, waive inspection contingencies or may have financing options that the market perceives as superior to the low downpayment buyer.

In terms of mortgage rates, the Federal Reserve has been purchasing mortgage backed securities (MBS) to drive down rates. The Fed will be tapering its MBS purchases, which will result in rates rising gradually by ¼ percent or more. Fannie Mae also predicts some moderation in home purchase prices.

Despite these market dynamics, New Hampshire Housing is committed to and has been providing viable mortgage options to borrowers.

#### **HOME *Flex* (Ginnie Mae MBS Program)**

New Hampshire Housing's Home *Flex* mortgage program of government-backed single-family loans is originated by its network of participating lenders and pooled into taxable Ginnie Mae Mortgage Backed Securities. These securities are sold to generate funds to purchase mortgage loans and provide cash assistance to borrowers for downpayment assistance and closing costs. NH Housing offers three cash assistance options with Home *Flex* (2%, 3% and 4%), which provides homebuyers with much needed cash to buy a home. In FY2021, NH Housing provided \$5.2 million in such cash assistance.

#### **Home *Preferred* (Fannie Mae Program)**

Fannie Mae recognizes the value of partnering with state housing finance agencies and provides special mortgage products that are only available in the state through New Hampshire Housing. The Home *Preferred* Program is a conventional mortgage with private mortgage insurance that offers a low-interest rate and a high loan-to-value ratio to homebuyers at or below 80% of area median income. These loans are also available with cash assistance. Loans are purchased from participating lenders and then sold on a loan-by-loan basis to Fannie Mae with NH Housing retaining servicing.

#### **Homebuyer Tax Credit**

The Homebuyer Tax Credit program helps make homeownership more affordable for first-time homebuyers. An eligible homebuyer receives a Mortgage Credit Certificate from New Hampshire Housing for a federal income tax credit of up to \$2,000 each year for the life of the original mortgage, as long as the home remains their primary residence. This decrease in income taxes and increase in

take-home pay can help pay the mortgage and home expenses. This program serves approximately 650-750 households each year.

### **Special Homeownership Programs**

New Hampshire Housing's Homeownership Division is a trusted and productive source for programs that make successful homeownership a reality for New Hampshire residents. Special Homeownership Programs complement the core programs by providing funds for eligible borrowers based on their needs and circumstances. Additionally, these programs provide flexibility to create special initiatives and to address new issues and opportunities. These programs include:

- Community Heroes Initiative, which provides \$3,000 in closing cost assistance to new homebuyers who work in eligible frontline COVID jobs;
- An accessibility grant to Granite State Independent Living to help NH homeowners make modifications such as adding ramps, stair lifts and other changes to their homes;
- The Emergency Home Repair Loan program, which provides eligible New Hampshire Housing borrowers with loans to perform emergency home repairs;
- Grants and other finance options to the New Hampshire Community Loan Fund to aid siting of new manufactured homes in resident-owned manufactured housing communities;
- A grant to NeighborWorks Southern New Hampshire to provide renters and property owners with enhanced tools for financial fitness, including addressing how to enhance housing options for underserved communities; and
- A long-term partnership with Habitat for Humanity affiliates around the state to provide non-amortizing, no-interest loans to low-income homebuyers to help reduce the cost of the home.

### **Homebuyer/Homeowner Education and Counseling**

This initiative provides resources to nonprofits, through a HUD Comprehensive Housing Counseling Program grant and New Hampshire Housing funds, that provide homebuyers and homeowners with pre- and post-purchase education and counseling services. The education and counseling effort includes support of 2-1-1 NH as an intake and referral resource as well as an outreach campaign.

### **Assistance for Homeowners Struggling During Pandemic**

In response to concerns about the impact of the pandemic, national housing agencies provided homeowners with federally-backed mortgages the ability to obtain a mortgage forbearance when homeowners were financially impacted by the pandemic. Based on a survey by the NH Bankers Association, community banks also worked with their impacted borrowers. In addition, foreclosure bans were implemented to reduce displacement during the pandemic. Congress also passed the American Rescue Plan, which included \$50 million for the New Hampshire Homeowner Assistance Fund program to help eligible homeowners struggling financially during the pandemic. The Governor's Office of Relief and Recovery has contracted with New Hampshire Housing to administer the NH Homeowner Assistance Fund.



## ASSISTED RENTAL HOUSING

New Hampshire Housing's Assisted Housing Division serves low- to extremely low-income renter households by providing housing subsidies, as well as education and support to help them improve their overall financial status through increased earnings and greater financial literacy.

### **Housing Choice Voucher Program**

This HUD-funded program enables very low-income households to obtain safe, decent, affordable housing. The qualified household pays a portion of their adjusted income toward rent and utilities, and New Hampshire Housing pays the rest directly to the landlord.

The ongoing challenge is how to assist as many households as possible throughout the state with the limited number of vouchers available. Due to the great need and demand for safe housing, an applicant's time on the waiting list can stretch to as long as seven years. The average income of participants is \$16,795 and almost 80% of these participants are elderly or have a disability. In addition, over 7,000 HUD-funded vouchers are allocated to 19 independent local housing authorities to use in their communities.

### **Family Self-Sufficiency (FSS) Loan and Grant Program**

The FSS Loan and Grant program assists certain Housing Choice Voucher clients in increasing their earned income and moving toward self-sufficiency. This program provides small loans and grants for transportation and/or other items or services which enhance employability and increase earned income of participants in the Family Self-Sufficiency program. HUD funding for FSS Coordinators and program outcomes is expected to be level.

### **Landlord Incentive Pilot Program**

This pilot program is available for designated special housing programs designed to provide a landlord incentive, or sign-on bonus, to encourage landlord acceptance of vouchers, build and develop landlord relationships, and improve the voucher holder's ability to lease up.

### **Emergency Rental Assistance Program**

The NH Emergency Rental Assistance Program (NHERAP) is a federally funded rental assistance program through the Governor's Office for Emergency Relief and Recovery (GOFERR). It is administered by NH Housing, in collaboration with GOFERR and the state's five Community Action Partnership agencies. The program provides financial assistance for New Hampshire renters struggling to pay their rent and utilities during the pandemic. As of December 31, 2021, NHERAP had provided a total of \$84.5 million in rental assistance (including payments for utility and home energy costs) benefitting 11,092 households, with an average benefit per household of \$7,616. The NHERAP program will continue to operate in 2022 and possibly beyond depending on the continued availability of federal funding.

## MULTI-FAMILY DEVELOPMENT

NHHFA's multi-family rental housing production efforts cover a wide variety of programs that provide financing for the development or preservation of affordable rental housing for low-income households. Included in these programs are initiatives to increase the supply of transitional housing for those individuals coming out of treatment for substance use disorder and addressing environmental health issues in low-income privately-owned homes and apartments where low-income households live.

### **Multi-Family Production Program**

This program uses Low-Income Housing Tax Credits (LIHTC), capital subsidies, and long-term debt to finance the new construction, rehabilitation, and preservation of affordable rental units. Projects must commit to long-term affordability restrictions. There are annual competitive financing rounds for LIHTC, HOME Investment Partnership Program, national Housing Trust Fund, and other subsidies.

New Hampshire Housing is responsible for administering the state's Affordable Housing Fund (AHF), a trust fund established by statute for the creation and financing of affordable housing. The state legislature has made historic appropriations to the AHF in the last three years, including a reoccurring appropriation of \$5 million annually from the Real Estate Transfer Tax and a one-time appropriation of \$25 million in the 2021-2022 state budget.

New Hampshire Housing has made these funds available through notices of funding availability designed to be transparent and responsive to the needs of the state's development partners.

### **Construction Lending Program**

This program provides construction financing for multi-family projects financed by NH Housing. In addition, funds may be used for equity bridge loans to enhance the attractiveness of Low-Income Housing Tax Credits to investors.

### **Multi-Family Recapitalization and Preservation**

Because of the severe housing supply problem, New Hampshire Housing prioritizes new construction over initiatives designed to improve the condition of existing housing when it comes to allocating scarce subsidy resources. However, certain financing tools can be used effectively to preserve and improve much of the affordable housing stock. The Federal Financing Bank (FFB) program has been one such tool. This program, which was active from 2014 to 2019, enabled New Hampshire Housing to finance 25 projects comprising more than 1,500 homes and over \$100 million in loans. In the fall of 2021, the federal government indicated that the FFB program would be reintroduced. Tax-exempt bond financing and 4% LIHTCs are also important tools for the preservation of existing housing. Initiatives such as these help prevent the loss of affordable housing inventory and improve the quality and desirability of the existing housing.

### **Lead Hazard Abatement Program**

New Hampshire Housing was awarded another multi-year grant from HUD that began in January 2021 and provides nearly \$5 million for lead-based paint remediation across the state. Funding will also be used to address health and safety issues in those units. Priority for lead hazard control and healthy homes intervention is given to units with a documented case of a child having an elevated blood lead level. In addition, New Hampshire Housing now administers a state trust fund to supplement and enhance the reach of the federal funds. This state fund, first funded in 2018, has allowed NH Housing and partners around the state to reach vulnerable households that could not afford matching funds.



## ASSET MANAGEMENT

Following the development and leasing of multi-family rental projects that it finances, New Hampshire Housing then provides oversight to ensure that the targeted beneficiaries are being served, properties are being maintained, and projects maintain fiscal viability. These responsibilities have grown significantly as a function of the success of rental production programs, and the portfolio that is monitored has grown to more than 425 properties and 15,000 apartment units.

In addition to oversight of the properties developed with NH Housing resources, the agency is the contract administrator for HUD-funded rental properties in the state. The Performance Based Contract Administration (PBCA) contract makes New Hampshire Housing directly responsible to HUD for all PBCA program functions and reporting requirements. New Hampshire Housing provides general program oversight and administration for a portfolio of approximately 5,000 apartments, and also performs a quality assurance function for all assigned tasks. Day-to-day functions involved in the program include conducting management and occupancy reviews, adjusting contract rents, processing monthly Housing Assistance Payment vouchers for project owners, processing renewals, terminations and/or opt-outs, and responding to health and safety issues.

## HOUSING RESEARCH, POLICY AND ADVOCACY

New Hampshire Housing provides an array of critical education tools designed to improve public understanding of our state's housing challenges and encourage actions at the local, regional, and state levels to help expand the supply of housing available to all of our state's citizens.

Conferences and workshops provide a forum for our business partners and others to discuss housing policy issues and other topics of interest. They include topics pertaining to the economics of development, ways to expand housing supply, and focus on both multi-family and single-family housing development. New Hampshire Housing hosts conferences and webinars with national and local speakers who discuss ways to address the state's affordable housing and economic development needs.

Small grant programs assist local leaders in the development of informational/educational materials, targeted advertising, limited local research, and other innovative methods of reducing community resistance to housing development; train local officials to increase knowledge on how and what to adjust in local ordinances and on how to implement the changes. Funding is also provided to support advocacy by organizations such as Stay Work Play, regional workforce housing coalitions, and Plan NH. Through Plan NH, a grant program offers municipalities funding for a consultant to work with a community to examine and develop regulatory mechanisms to make them more housing-friendly. The coalitions provide housing education and advocacy focused on community engagement and regulatory policy change at the local level while also supporting housing-friendly legislation at the state level.

NH Housing also conducts or contracts for various housing-related studies throughout the year. Recent studies include a value per acre analysis of 15 municipalities in New Hampshire conducted by Urban3. A report analyzing the unique housing market characteristics of New Hampshire's North Country was recently completed that offered suggestions for policy changes and investments to address housing challenges in that area of the state. A housing needs assessment study is conducted periodically to track the need and development of housing in the state.

Additionally, the New Hampshire Department of Business and Economic Affairs, Office of Planning and Development (OPD) is working with the state's nine regional planning commissions to help them produce regional housing needs assessments required under RSA 36:47, II. OPD also produces important compilations of housing-related data, such as the 2021 *Current Estimates and Trends in New Hampshire's Housing Supply*.

## COMMUNITY DEVELOPMENT

### **Community Development Block Grant (CDBG)**

The main emphasis of the New Hampshire CDBG program is to benefit low- and moderate-income households and to advance community economic development. The Community Development Finance Authority (CDFA) provides grants of up to \$500,000 to local governments in New Hampshire for economic development, affordable housing, public facilities, planning, and certain emergencies. Allocations of funding may change during this biennium as the CDFA reviews program effectiveness and outcomes. CDBG funds are available to local government applicants through annual grant rounds. Federal allocations vary from year to year, but New Hampshire's balance of state grant funds in recent years has totaled approximately \$9 million, with planned splits among housing, public facilities, and economic development grants.

### **CDFA Tax Credit Program**

The Community Development Finance Authority grants state tax credits on a competitive basis to qualified nonprofit organizations for specific projects or programs. CDFA is attracted to innovative projects that show a high degree of public benefit, public purpose, and economic benefit to target populations. CDFA tax credits may be awarded to support projects that provide permanent affordable housing opportunities to low- and moderate-income people.

### **Clean Energy Fund**

CDFA's Clean Energy Fund provides financing to multi-family housing properties. CDFA can provide clean energy loans to for-profit and nonprofit owners of multi-family housing complexes. This includes both market rate and subsidized properties. Eligible technologies include energy efficiency items such as thermal and lighting, along with renewable energy technologies such as solar and biomass heating systems.

## HOMELESS PROGRAMS

### **Homeless Prevention and Rapid Re-Housing**

The Bureau of Housing Supports (BHS) expects to assist approximately 4,400 households annually by either preventing or shortening homelessness with short- to medium-term rental assistance provided in tandem with essential services. Housing Relocation and Stabilization Services (HRS) are provided as supports to prevent and resolve homelessness. Services include but are not limited to housing search, moving costs, and case management to successfully re-house individuals and families. HRS services also include but are not limited to mediation, legal assistance and case management to provide and assist families and individuals to successfully remain in permanent housing and prevent homelessness.

BHS intends to prevent homelessness and divert households from shelter to stable housing whenever possible. The Continuums of Care value provision of assistance prior to shelter entry, recognizing that shelter stays can be destabilizing and traumatic. Prevention assistance provided by state funds can aid households in preserving their current housing situation; shelter diversion assists households in finding housing outside of shelter while they receive services to stabilize their housing or help them move into permanent housing. Each of these strategies can reduce the number of people entering the homeless assistance system and the demand for shelter and other programmatic housing needs.

## ENERGY EFFICIENCY AND FUEL ASSISTANCE

Low-income households in New Hampshire may draw on two federally funded energy programs and two electric ratepayer-supported programs managed by the state's four electric utilities for help with their energy needs: the federal Low Income Home Energy Assistance Program known as LIHEAP, or the Fuel Assistance Program (\$27.7 million in the year ending September 30, 2021), the federal Weatherization Assistance Program (\$2 million in the year ending September 30, 2021), the ratepayer-

funded Electric Assistance Program (\$13.7 million in the year ended August 31, 2021), and the ratepayer-funded Home Energy Assistance Program (\$13.6 million in the year ending September 30, 2021). The LIHEAP and EAP programs help households pay their fuel and electric bills; the Weatherization and Home Energy Assistance programs help households reduce their energy use through insulation, air sealing, and energy-system improvements. Per the U.S. Census American Community Survey in 2019, there were approximately 45,652 families in New Hampshire at or below 200% of the federal poverty threshold who would be eligible for these programs.

### **Fuel Assistance**

The U.S. Department of Health and Human Services allocates LIHEAP funds to every state for fuel assistance. The program provides payment directly to the eligible household's home heating vendor. In the year ending September 30, 2021, New Hampshire's Fuel Assistance Program served 24,308 households; the average winter benefit was \$1,077. The program is administered by the New Hampshire Department of Energy and operated by the state's Community Action Agencies.

### **Electric Assistance**

The New Hampshire Public Utilities Commission allocates a portion of the state's System Benefits Charge to provide a monthly discount on the electric bill for eligible households. The Electric Assistance Program (EAP) served 31,522 households in the year ending August 31, 2021. The average annual benefit received by an EAP household was \$422. The EAP is overseen by the NH Public Utilities Commission.

### **Weatherization Assistance**

The U.S. Department of Energy allocates federal Weatherization Assistance Program (WAP) funds every year for state weatherization programs. The program helps reduce energy costs through insulation, air sealing, and energy system improvements for eligible households. During FY21, in collaboration with the utility-managed Home Energy Assistance (HEA) program and other funding sources, WAP funds contributed to weatherization services in 299 New Hampshire homes. In addition, HEA and other funding sources supported weatherization services in another 1,106 New Hampshire homes without WAP funding involvement. A total of 1,405 low-income households received weatherization assistance in the time period.

## CONCLUSION

New Hampshire's economy remains strong, but the state still faces the challenge of a very tight housing market. The data show record high sale prices for single-family homes, low inventories, and rising costs plus extremely low vacancy rates for rental housing throughout the state. For New Hampshire to continue its economic growth and be competitive nationally and internationally, the state's housing challenge must be addressed.

Private sector development is the principal driver of housing supply and impediments to that development must be identified and reduced at both the state and local levels. Stimulating increased private sector development activity is essential to improving the supply of housing that is affordable to the state's workforce.

The activities in this Plan attempt to address the housing needs of persons of low- and moderate-income. The effectiveness of many of the program responses identified in this Plan rely on partnerships between public and private sectors entities. The public sector entities identified in this Plan (New Hampshire Housing Finance Authority; New Hampshire Department of Business and Economic Affairs, Office of Planning and Development; New Hampshire Department of Health and Human Services, Bureau of Housing Supports; New Hampshire Department of Energy; and the New Hampshire Community Development Finance Authority) seek such partnerships in order to improve the quality of life for all New Hampshire citizens.



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As a self-supporting public corporation created by the state legislature, New Hampshire Housing Finance Authority promotes, finances, and supports affordable housing.