

Senate Capital Budget Committee

Sonja Caldwell 271-2117

SB 94-FN-A, making a capital appropriation for affordable housing.

Hearing Date: February 22, 2017

Members of the Committee Present: Senators D'Allesandro, Daniels, Bradley and Watters

Members of the Committee Absent : Senator Sanborn

Bill Analysis: This bill makes a capital appropriation to the housing finance authority for deposit in the affordable housing fund, to provide financing or state matching funds for affordable housing.

Sponsors:

Sen. Feltes

Sen. Hennessey

Sen. Lasky

Sen. Watters

Sen. Woodburn

Rep. Edgar

Rep. Rosenwald

Rep. Porter

Rep. Cloutier

Rep. Shurtleff

Who supports the bill: Dean Christon (NHHFA), Elissa Margolin (Housing Action NH), Mike Apfelberg (United Way of Greater Nashua), Bill Shanahan (NNEHIR), Deborah Blondin (Eastern Bank), Dave Juvet (BIA), Shane Archambault, Richard Royse (Community Bridges Region 4 Area Agency), Will Stewart (Greater Derry Londonderry Chamber), Robert Tourigny (NeighborWorks SNH), Elliott Berry (NH Legal Assistance), Sen. Woodburn, Sen. Lasky

Who opposes the bill: No one

Who is neutral on the bill: Evelyn Whelton (Bank of NH)

Summary of testimony presented:

Sen. Feltes – The bill makes a capital appropriation of \$25 million for affordable housing. New Hampshire has a housing crisis. There is less than a 2% vacancy in the rental market. Prices have gone up 15%, particularly in the southern part of state. This is a workforce, jobs, and competitiveness issue. The fund helps not just with new construction, but with the modification of existing structures.

There is currently a significant deficit in New Hampshire in regards to helping people with disabilities, and this bill can help people with disabilities. New Hampshire needs more affordable housing for seniors. There is also a need for affordable workforce housing in order to attract and keep young people in our state.

Within the context of competitiveness, we've made progress in business taxes. However, housing is also a competitiveness and jobs issue, and we have not made progress in it. Maine did a \$50 million bond recently. Rhode Island just voted to put out a bond for \$50 million in affordable housing. Massachusetts just approved over \$1 billion over 5 years. New Hampshire is being left in the dust by other New England states. Thus, 25 million in comparison to other states is a reasonable figure. Since the fund was created, a total of \$12.6 million has been capitalized in this fund. This fund also has a leveraging component. New Hampshire housing finance authority has integrity, does good work, and knows how to put projects together.

Sen. Watters asked about the leveraging ratio if this bill was passed.

Sen. Feltes said NHHFA can talk about that but he thinks it's significantly more than 2 to 1 in terms of leveraging federal and private dollars.

Dean Christon – NHHFA – submitted a letter and supporting documents. The affordable housing fund is a true trust fund; any monies deposited into the fund stay in it and get reused. No administrative costs come out of those dollars. They administer the fund using other resources. They have a lot of flexibility with how the fund is used: from shelters to mobile home coops, to senior housing, to workforce rental housing, etc. The fund has worked to address whatever needs the state has had at whatever time. The \$13 million invested thus far has yielded \$30 million in commitments. Those dollars have supported 80 projects and 2,000 units across the state. With regard to funds allocated in the last cycle, \$800,000 was allocated for general workforce housing with a focus on veterans. This initiated 3 workforce rental housing projects with 120 units, each committing 20% to veterans. The average leveraging is 7 to 1 on the fund. The \$2 million allocated last year for sober recovery housing is in the process of being deployed. The \$2.8 million allocated in the last biennium is moving out quickly which speaks to the need. The national vacancy rate is 5%. New Hampshire is about 2% with some areas being even less than that.

Sen. D'Allesandro- Asked about the availability of land.

Dean Christon – Availability of land is connected to regulatory policy. In some communities there is land available, and some have buildings that can be repurposed like mill buildings.

Sen. D'Allesandro- asked about a specific project on the west side in Manchester and who would occupy those units.

Dean Christon said it is designed for people with disabilities with no specific disability required.

Elissa Margolin – director of Housing Action New Hampshire, which is made up of 80 organizations and businesses. 30% of New Hampshire residents rent their homes. The percentage of those who rent has gone up and is continuing to rise. This is a market preference issue. Part of the increase in renters is due to the aftermath of the foreclosure crisis. Retirees are also choosing to rent. Thus, there is a crowded rental market in New Hampshire. Now we have a supply problem. The cost increased 15% over last 5 years. The average renter makes \$14 an hour. The salary you need to afford an average rent in New Hampshire is \$21 an hour. It is difficult to find housing close to jobs. This bill would send a positive message to businesses considering moving to New Hampshire.

Sen. Bradley – asked if her organization supported an alternative figure other than the \$25 million.

Elissa Margolin- recognizes that there are other challenges for the capital budget, including the Concord Steam issue. They're asking for help but will work with the committee to find a solution that works.

Mike Apfeltery- from United Way of Greater Nashua. United Way of Greater Nashua focuses on investing in programs that are a hand up, not a hand out. This includes transitional housing programs where a family who might otherwise be homeless can be housed for a period of time while they go to

school and get a job and save money. It gives lenders confidence to put money into projects because there is a partnership involved. The problem comes when a family graduates from the program and can't find a house or apartment. In Nashua the vacancy rate is less than 1 %. The cheapest price of an apartment in Nashua he could find was a studio for \$900 a month (450 square feet). The cheapest 2 bedroom apartment/house was \$1,200 dollars.

Bill Shanahan – Northern New England Housing Investment Fund. They have used the low income housing tax credit program. This is an effective program. He has seen this used effectively in other states, but it's just a piece of the puzzle.

Sen. Watters – asked if he had any thoughts on Maine's program.

Bill Shanahan—said the funding has all been deployed and the program is very successful. A bond was passed recently by over 70% of the voters in Maine for additional money for senior housing.

Sen. D'Allesandro—asked what it costs to build a unit.

Bill Shanahan—The cost varies. With brand new units, 70% of costs are in construction. The 2nd biggest cost is acquisition. Acquisition costs are market driven. Projects have ranged from a \$40,000 rehab to \$150,000 new construction. Historic rehabs can be more expensive.

Sen. D'Allesandro—asked about tax exempt bonds vs. general obligation bonds.

Bill Shanahan—said there are some costs to the state issuing general obligation bonds. The tax exempt issuance is very efficient and can sometimes be bought directly.

Sen. Daniels – asked if there are other sources available to contribute to affordable housing.

Bill Shanahan—said yes, there are block grants from the federal government, the federal home program, and the community development block grant program. It's not unusual to see 5-8 different sources of funding in a project.

Deborah Blondin – Eastern Bank – read a letter from Joe Reilly the New Hampshire regional president of Eastern Bank in support of the bill.

Dave Juvet – BIA – affordability and availability of housing is a key issue for New Hampshire's employer community. The BIA is not sure if \$25 million is the right amount. The committee has to weigh the figure with other needs and come up with an appropriate number. It will pay off in economic development for the future. Regardless, he hopes it's a significant enough number for the fund.

Sen. Watters – asked him when he talks to employers who might relocate or expand in New Hampshire, where housing affordability figures in. He asked if it is important to employers that New Hampshire state government has skin in the game.

Dave Juvet—said several years back when the BIA got involved in the housing issue it emerged as the top issue for employers. That fluctuates from year to year. Availability of workforce is a top issue and housing for the workforce fits into that. The availability of housing also depends on what part of the state you are in; it's particularly noticeable in the seacoast, upper valley, and Monadnock region. Housing relates directly to assisting economic development and we need to do what we can to ensure economic growth takes place. It's part of a bigger answer. For businesses already here, inadequate housing is already a significant issue. It's a problem that needs to be addressed right now.

Shane Archembault – current Saint Anslem student. In the fall of 2015 he got an opportunity to work for a campaign so he took time off. When he was gone from college, it was a struggle to find affordable housing. Once he obtained housing, it was over 50% of his after tax income. He wants to stay in New Hampshire after graduation but housing is a factor. He grew up in Maine, and it's much easier there to find affordable housing.

Will Stewart – president of Greater Derry Londonderry chamber of commerce. This issue is not just for high skilled workers but for low wage workers as well. When housing costs are high it causes employees to have to go farther away from their jobs to live, which increases time away from families and increases commuting costs. 45 townhouse units in Londonderry sold out within 2 weeks.

Robert Tourigny – NeighborWorks Southern New Hampshire has been a leader in affordable housing development for 25 years. They utilize every financing resource available. 500 units have been created under the organization. The organization also helps families with home ownership in addition to renting. They educate them on how to make good financial decisions. The need for a state appropriation to support affordable housing is clear. New Hampshire is at a disadvantage competing for affordable housing funds because we don't invest state dollars in affordable housing.

Elliott Berry – Legal Assistance. He was involved in the creation of the legislation in 1988 that established the affordable housing fund. Incomes are not increasing at the rate that rents are increasing. A typical example is of a client working as a housekeeper, earning \$10/hour with a 40 hour work week. What HUD calls a fair market rent is \$1,177 dollars. This person pays 80% of their net income towards rent. One unexpected expense means eviction. If you get evicted once or twice, landlords won't rent to you. Almost every one of the affordable housing projects takes so many different resources to make work and often the money in the affordable housing fund is the piece that ties it all together.

Evelyn Whelton—she is from the Mt. Washington Valley Housing Coalition and is also a mortgage lender. On average rental costs eat up 53% of labor force pay. There is a vacancy rate of 1%. The biggest challenge is rentals turning over to short term rentals, which creates added pressure. \$907-\$1010 is an average rent. The top ten job categories in the MWV create 5,803 jobs, of which 4,337 are in the hospitality industry. The median wage is \$10.91. Workers would have to work 67 hours a week to find their current housing stock affordable. The median age of residents was 46 but in the last 5 years it's increased to 50. Business continuity isn't sustainable with current trends. Conway has added 66 new units of affordable housing for workforce and seniors with the help of the affordable housing fund.

Future Action: Ought to Pass with Amendment