

Big Houses, Small Households

*Perceptions, Preferences
and Assessment of
New Hampshire's Housing Needs*

*Housing Needs in NH, Part 1
March 2014*

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About this paper

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Table of Contents

Housing Needs in New Hampshire - Project Overview	1
Executive Summary	3
Demand abating	3
A supply mismatch	4
Potential solutions to facilitate a more balanced housing market.....	5
Research on housing preferences.....	5
New Hampshire Studies.....	6
National Survey of Housing Preferences.....	8
Study method	8
Focus group summaries	10
Homebuilders.....	10
Mortgage bankers and brokers.....	10
Realtors	11
Regional Planning Commissions	13
Senior Housing Experts	13
Workforce Housing.....	14
Young Professionals	16
Appendix A – Focus Group Members and Questionnaires	18
Table 1: Housing Preferences Focus Group Members	18
Figure 1: What type of housing should be developed?.....	6
Figure 2: Home Size and Commuting Preferences.....	7
Figure 3: Type of Neighborhood Preference	7

Housing Needs in New Hampshire - Project Overview

March 2014

In the decades before the Great Recession, New Hampshire's housing market was a major driver in 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.

Using updated population forecasts, the report projects New Hampshire's future housing needs, by age group and by type of housing. In addition, numerous focus groups were consulted, representing a broad swath of the state's people and businesses: builders, lenders, realtors, young professionals, senior groups, regional planners, workforce housing groups, and others. Finally, as a way of assessing the potential impact of New Hampshire's aging population on the housing market, national analyses of housing needs and preferences among senior populations were reviewed.

Among the major findings from this work:

Overall homeownership demand in New Hampshire is declining. The reasons for this include the weak economy, lower rates of in-migration, and difficulties in obtaining financing. Among older homeowners, low levels of liquidity continue to pose problems, while high levels of student debt and mediocre wage growth limit home-buying options for younger generations. In the more rural parts of the state this decline in demand has been particularly apparent in communities that are more than two towns removed from major transportation networks. Real estate professionals, in particular, noted significant differences in demand geographically. Moreover, growth in low-wage service jobs and housing costs are described as creating a growing affordability problem, particularly north of Concord.

New Hampshire's current 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 "down-size" to smaller living arrangements, yet housing units of 3+ bedrooms far outnumber one- and two-bedroom units in the state. Given the relatively small number of young households in the state, it's unclear whether the larger units built for Boomers during their child-rearing years will draw sufficient interest from buyers in future years.

In addition, younger age groups are, in general, less likely to be homeowners compared to previous generations. In fact, each new group of young people is increasingly less likely to be 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.

Affordability and the New Hampshire advantage. These factors have an impact on the affordability of housing in New Hampshire, something which may have been a big part of New Hampshire’s attraction to new migrants from higher-priced states over the past four decades. While the median price of homes is more affordable than just a few years ago, this is not necessarily true for first-time buyers, who have traditionally provided important liquidity to the housing market. The home purchases of first-time buyers enabled those who were selling their homes to “move up” or “down-size.” But younger residents now face inferior job prospects and high levels of student debt, and they are delaying marriage, and are unsure of the benefits of homeownership—including the ability to easily resell at a later date.

In addition, the state’s rental market has grown less affordable in recent years. The New Hampshire Housing Finance Authority’s (NHHFA) 2013 rental housing survey indicated that since 2006, the median monthly gross rent rose by 4 percent (in contrast to the 40 percent drop in the monthly mortgage cost) and vacancy rates decreased, meaning renters were paying more, with fewer options to choose from. This reflects a national pattern for a growing percentage of households in rental housing.

Seniors Will Occupy a Growing Proportion of the State’s Housing Units. New Hampshire’s senior population is expected to nearly double between 2010 and 2025, from 178,000 to 323,000 people, a change that is not matched among younger age groups. As a result, seniors will occupy a growing proportion of the state’s housing units, filling one in three units by 2025. The number of senior households in the state, both owners and renters, will nearly double by 2025.

While seniors generally want to age in place, this desire is complicated by several factors, including high rates of disability, lower median income and savings, declining caregiver population and other factors. The median income of the state’s senior homeowners is barely half that of the state median, and their home equity has been significantly reduced by the state’s housing downturn.

New construction will likely be limited in a projected era of slower population growth. The rehabilitation of the existing housing stock may become more needed, yet much of New Hampshire’s housing regulations, including local planning and zoning ordinances, are not currently geared towards this segment of the market.

Executive Summary

This report is a qualitative analysis of housing preferences in New Hampshire by household age, income, make-up and geographic location. Housing preferences in this context include, but are not limited to: tenure, size, number of bedrooms, location, and setting, i.e. proximity to employment, transportation, services and recreation, as well as affordability or the percent of income available for housing cost. The analysis relies on the focus group research method, with a concentration on the housing-related conditions that would induce younger people to stay in the state or to move to New Hampshire, as well as preferences of the near-retirement population. The methods used here should be readily replicable, allowing this analysis to become a baseline for future study.

This analysis shows that New Hampshire's housing markets are evolving. The focus in New Hampshire housing markets will shift from accommodating growth to accommodating change. This change is characterized by less growth overall, more senior households, fewer young households, strained first-time buyers, and changing lending standards. This qualitative assessment has three major findings:

1. Home ownership demand is declining, due to the poor economy as well as difficulties in obtaining financing.
2. The existing supply of housing in New Hampshire is not well matched to changing demand.
3. There are difficult challenges in creating a more balanced housing market in New Hampshire.

The research results showed several recurring themes among the focus groups. That is, mortgage bankers and brokers (for example), expressed many of the same concerns as did regional planners or real estate professionals. The market for housing is changing. Most notably, the pressure of suburbanization and movement away from urban areas seems to be diminishing, which may create an imbalance in the housing market. Regardless, the qualitative assessment provides important insights into the barriers to meeting the emerging preferences in the housing market.

The focus group qualitative analysis suggests an uneasiness and dissatisfaction with the current New Hampshire housing environment on the part of all respondents. The most fundamental point is that all participants appear to agree that the supply and demand for housing is mismatched, though respondents have different perspectives as to why the current housing market is out of balance. All seem to agree that the growth model for solving housing issues (i.e. an expansion in units, etc.) is unlikely to be successful, at least in the short term. And though each group of respondents has a different perspective on the cause of the supply and demand mismatch, each has a unique perspective about the potential solutions, including the potential role of the New Hampshire Housing Finance Authority (NHHFA).

Demand abating

First, the respondents felt that there was a general decline in demand for housing as a result of a variety of factors, most notably a lack of liquidity and financial capacity. A lack of liquidity

among baby-boomers may be keeping them in houses larger than they need or want. On the other end of the age spectrum, New Hampshire's young households are burdened by high levels of student debt and mediocre wage growth, which means it is more difficult to save and qualify for loans. Lending standards are also more rigorous. Finally, recent momentum in demand may have been blunted by rises in prices and interest rates in the past several months.

This decline in demand was particularly true in the more rural parts of the state and communities that were more than two towns away from major transportation networks. Real estate agents, in particular, noted significant differences geographically. Moreover, growth in low-wage service jobs and housing costs are described as creating a growing affordability problem, particularly north of Concord.

In the 1970s, 1980s, and 1990s, housing demand was driven by the Baby Boomers moving to New Hampshire. As that generation has aged, its housing preferences have changed (although there is a strong desire to age in place). Moreover, adults between the ages of 18 and 34 (the so-called "millennial" generation) may have different preferences for housing. The changing nature of demand leads to a whole set of questions about housing rehabilitation, new construction and competition for the same type of housing product between the aging boomers and younger millennials.

A supply mismatch

Slower population growth and declining school enrollments, combined with seniors downsizing to one-level living, mean that large houses in New Hampshire may fall out of favor, while smaller houses are in short supply. Location preference for the labor force is to be closer to work, resulting in residential properties close to major highways that are in great demand. This cannot be said for the more rural areas of New Hampshire. And there is a danger that declining population in these areas will lead to declining property values and continued out-migration.

While foreclosures and delinquencies have declined in recent months, over 20,000 foreclosed homes were introduced into the market in the last six years, which will soften the housing sales market and result in weak new home construction activity. Sales activity remains below the peak in 2006, and this lack of churn could mean restrictions on housing choice.

First-time home buyers and the near-retirement group appear to be competing for the same type of house, but for different reasons. An affordable ranch or cape would offer an attractive first time home buying opportunity, while "Baby Boomers" are looking for one-level living in a smaller space. Both groups face challenges fulfilling this preference, irrespective of the short supply of this housing type. Younger buyers are challenged by financial regulation as it affects affordability, while near retirement households may lack the liquidity they desire in their mortgage, and so cannot move.

The nature of housing demand (and therefore needed supply) has changed fundamentally, and each focus group raised the questions as to whether local communities have understood how their continued "well-being" is dependent on the availability of affordable housing. Towns appear to have a vision for their own community, and municipalities use the planning board and the zoning boards to implement their vision. All the focus groups question whether local

government officials understand how the New Hampshire housing market is changing, and whether local planning has evolved to reflect the changing demographic pressures now occurring in the Granite State. These visions likely vary by community, depending upon whether the community prizes “rural character” over other characteristics, like economic development.

According to respondents, a community’s ability to create a more balanced match between supply and demand is a function of the lack of flexibility of the local regulatory structure. Fiscal pressures on municipalities limit infrastructure expansion, which in turn constrains the range of new housing construction. Moreover, according to many respondents, local regulation continues to hamper the development of a more adaptable housing inventory and perpetuates an adversarial planning board environment. This can be exacerbated in rural communities, which often lack professional guidance, resulting in regulatory inertia. Finally, there is not much assistance available for housing rehabilitation.

Potential solutions to facilitate a more balanced housing market

The findings from this study suggest that emerging preferences create a mismatch between the supply and the demand for housing (where demand exists), as well as relatively low levels of demand due to affordability. As a result, the implications of the analysis of the market are that a successful strategy that encourages homeownership would increase the likelihood of the transformation of existing housing stock to reflect new demand.

What do these regulatory efforts look like, according to respondents? Many of the respondents have said that the regulatory environment for housing is overly focused on controlling growth (which has subsided greatly) without sufficient focus on supporting flexible housing solutions.

Creating a fertile environment for rehabilitation of existing stock could be an important part of the solution as well. Mill rehabilitation and conversion to housing is attractive because it offers one floor living, smaller and, arguably, more efficient units and desirable in-town living. Moreover, towns may want to encourage the conversion of single family homes to multi-household occupancy such as (in-law) apartments, co-op housing, and multi-generational options which are often restricted by zoning ordinances for a variety of reasons. Promoting housing rehabilitation, however, does not solve the affordability problem. Housing rehabilitation is often more expensive than new construction.

There is the potential for adopting new development approaches using market incentives, but it is unclear whether subsidies or other incentives can jump start a market solution. According to respondents, Florida-style housing developments in Bedford have been very successful because they offer one story living with a small plot of land for gardens. Manufactured housing could be a potential solution to senior housing needs, as well. Supporting these changes as a means of encouraging movement in the housing market would require a complex set of policy decisions on property tax exemptions, land use requirements, and zoning ordinances.

Research on housing preferences

In order to put this qualitative assessment of preferences into context, the Center also examined a recent national housing preference study, as well as housing research conducted by the Granite State Future group, coordinated by the state’s regional planning commissions. This literature

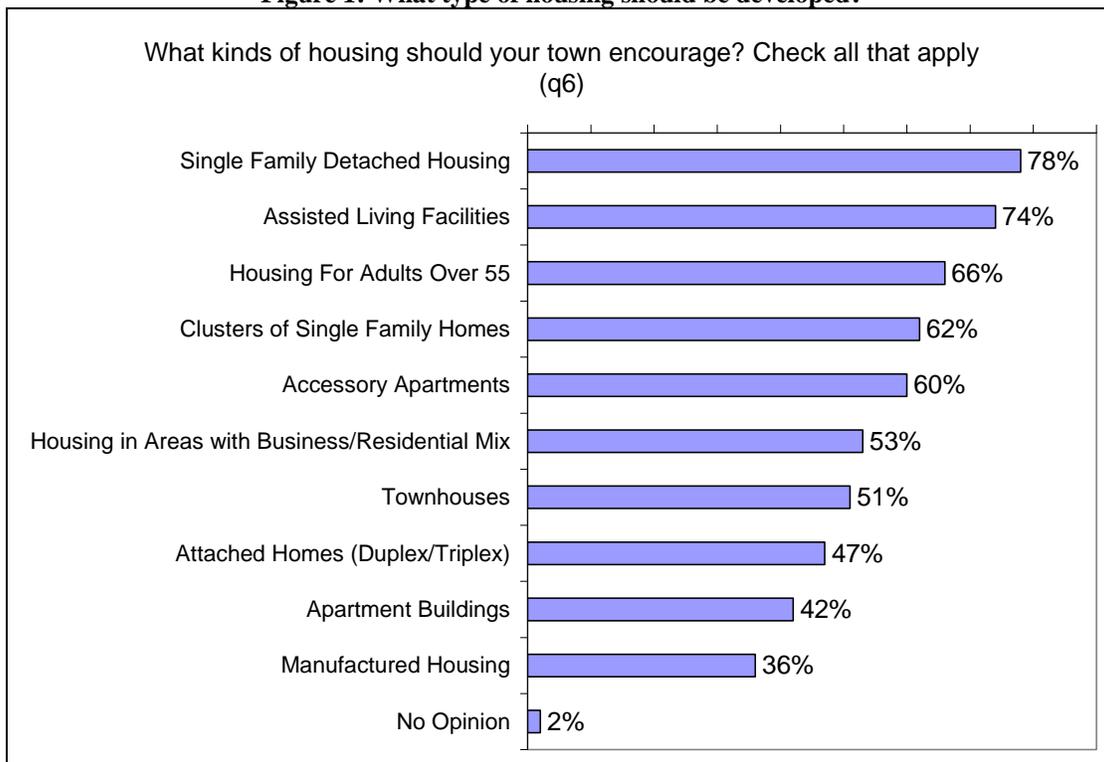
suggests that the combination of demand preferences in the Millennials and the Baby Boomers will result in ‘de-suburbanization’ – movement towards more urban areas, walkable communities, and easier transportation.

New Hampshire Studies

As a part of the Granite State Future effort, the regional planning commissions engaged the University of New Hampshire Survey Center to conduct a phone survey of New Hampshire residents covering a wide range of topics, from transportation to community vitality to housing. The following is a summary of the research as it relates to housing preferences.¹

Residents view safe and affordable housing as the third most important priority for investing public dollars. The development of single-family housing and assisted-living facilities were particularly favorable to residents while development of manufactured housing and apartments were the least favorable.

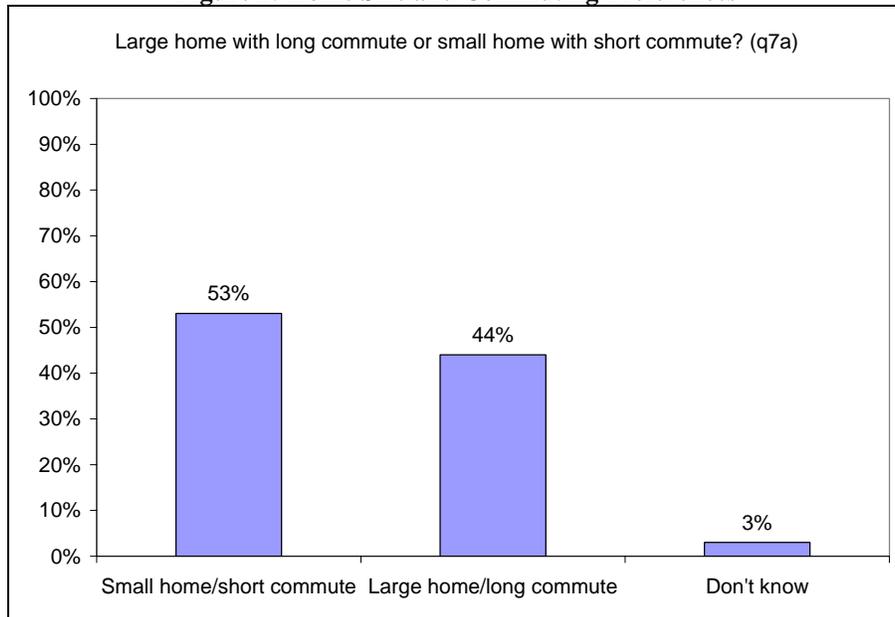
Figure 1: What type of housing should be developed?



When asked whether they would prefer to live in a small house but have a short commute to work or a large home with a longer commute, a majority (53 percent) said they would prefer the small home and short commute and 44 percent would prefer the large home and long commute, while 3 percent did not know.

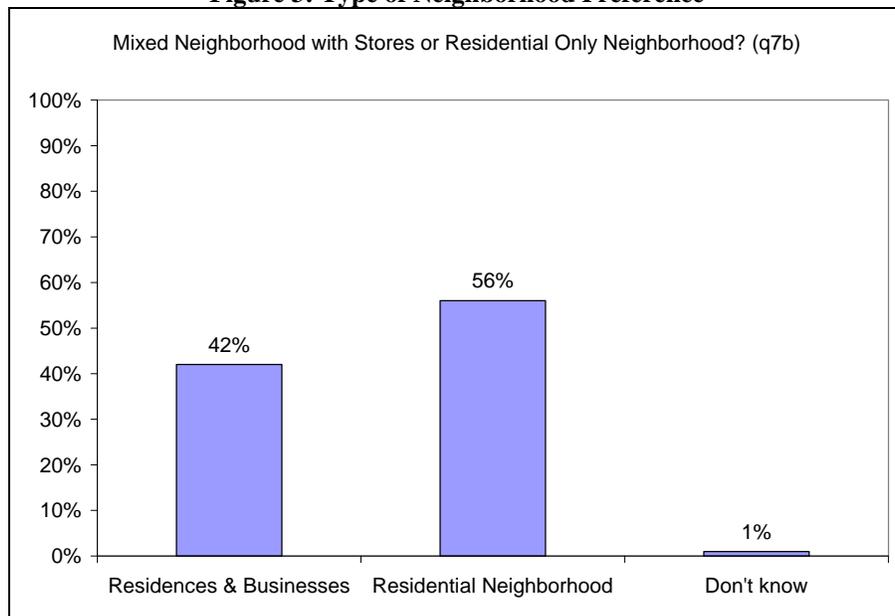
¹ Full report available at: http://granitestatefuture.org/files/1413/8023/1024/RPC_Statewide_Report_FINAL.pdf

Figure 2: Home Size and Commuting Preferences



Meanwhile, a majority of residents (56 percent) would prefer to live in a strictly residential neighborhood while 42 percent would prefer a mixed residential/commercial neighborhood, and 1 percent did not know.

Figure 3: Type of Neighborhood Preference



National Survey of Housing Preferences

National analysis of housing preference suggests that these tendencies are likely to accelerate as underlying population demographic changes play out. In March 2013, the Urban Land Institute released *Americans' Views on their Communities, Housing, and Transportation*², a national survey of 1,202 adults. The survey looked at respondents' housing preferences, and attempted to tease out the differing interests that could be accounted for by differing demand in communities, transportation needs, age, and other variables. In general, the survey found that there is an appeal for home ownership, with two-thirds of the respondents saying they live in a detached single family home. And seven in ten believe that buying a home is a good investment, despite the recent price declines associated with the Great Recession.

The survey also uncovered important differences between generations³ in their housing and community preferences. Generation Y members (also known as Millennials; young adults ages 18 to 34) show a strong preference for mixed-use communities and housing that fits with an urban and apartment living lifestyle. Millennials want walkable communities and use public transportation more than any other group. Generation X members – largely married and child rearing adults ages 35 to 47 – are much less interested in mixed use communities and mass transit. They are also the group most interested in moving into or remaining in single family detached homes. Baby Boomers –the generation now 48 to 66 years old – are looking for smaller homes and shorter commutes (most still work). As they ease into retirement, boomers are the generation most interested in living close to a park, and not so close to their neighbors.

Other recent national studies have shown that the housing preferences are changing for many groups. Recent research from the National Association of Realtors shows that tightened credit conditions nationally indicate that married couples are a higher share of current home buyers with higher income, while the share of single buyers and first time buyers is declining.⁴ An analysis by the Census Bureau showed that the share of young adults living with their parents increased in 2012, a trend confirmed in a separate study by the Pew Research Center.⁵ Another study using data for the Los Angeles rental market noted that “economic uncertainty combined with demographic trends has significantly slowed household formation, as would be first-time homebuyers struggle with higher-than-average unemployment, suppressed income growth and exploding levels of student debt.”⁶

Study method

To increase the understanding of the various topics associated with housing, necessitated pursuing more detailed information than would have been possible to gather with a phone or mail survey. The analysis was most interested in the respondents' feelings, insights and perceptions regarding the current housing market in New Hampshire, and how that market might change in the future. It was also important to solicit a wide variety of opinions about housing in

² <http://www.uli.org/wp-content/uploads/ULI-Documents/America-in-2013-Final-Report.pdf>

³ According the ULI study Generation Y (Millennial) members were born in the years 1979 to 1995. Generation X was born between the years 1966 to 1978. Baby Boomers include the generation born between the years 1947 and 1965.

⁴ <http://economistsoutlook.blogs.realtor.org/2013/11/13/characteristics-of-home-buyers/>

⁵ <http://online.wsj.com/news/articles/SB10001424127887324906304579039313087064716>

⁶ “A New Age for the Single-Family Rental Market?”, 2013 CoreLogic, Inc.

New Hampshire. Simply put, focus groups are a preferred alternative to a survey in that they allow for a broader, more detailed discussion of the issues at hand.

A survey approach is more suitable when the researcher already knows some of the answers to the pertinent questions, and can design a survey instrument that measures the frequency of responses in a quantitative way. Given the complexity of housing issues in New Hampshire, and that key issues had not been previously defined through a qualitative approach, a focus group analysis yields more useful data, insights and historical perspectives of people close to the issue.

Finally, a survey approach would have been much more costly, with no guarantee of better results. In order to be statistically valid, sample sizes in most surveys should include several hundred respondents. Response rates, which if low can compromise the survey results, are not a factor in focus group based research. And improperly designed survey questions could be misinterpreted by the respondents, creating misleading, unexplainable or inconsistent results.

The housing preference study was accomplished through focus group research with industry experts throughout September and October of 2013. Focus groups covered the following areas:

- Homebuilders
- Mortgage Bankers and other Lenders
- Realtors
- Regional Planning Commissions
- Senior Housing Experts
- Workforce Housing Advocates
- Young Professionals

Focus group sessions were scheduled for two hours each, allowing each participant enough time to feel comfortable talking about the topic in the presence of others. A list of participants in each group is included in the Appendix. Each group was given a list of questions intended to prompt open discussion of housing preferences. Copies of the list of questions provided to each work group are also included in the Appendix to this report.

Focus group summaries

The following are summary results by group interviewed. This is an attempt to summarize the opinions of each group and does not necessarily represent the opinions of the New Hampshire Center for Public Policy Studies or NHHFA.

Homebuilders

- **Financing is a barrier to entry for first-time buyers.**
In New Hampshire, starter homes priced at about \$179,000 are still not selling because first time home buyers have difficulty getting financing for the purchase. Potential buyers often cannot qualify because of a credit blemish. This could include high student debt, or other debts which can push a potential buyer over the debt-to-income limits required for new loans. In other cases, first time buyers cannot afford a 20 percent down payment now required by most lenders. Difficulties in getting potential buyers into the ownership market, in turn, results in increased rents and declining rental vacancies.
- **Municipal land restrictions and impact fees can restrict new development.**
Not surprisingly, homebuilders feel hostility to the land use restrictions that exist in many local communities. According to the homebuilders in the focus group, issues for affordable housing include the availability of land, excessive regulations, impact fees, the time to get approvals and the allowed density. For example, the impact of regulations and impact fees (for school and sewer) raises the cost of building to unaffordable levels. One member of the focus group said that impact fees can be as high as \$12,000 per development in some towns.
- **Relationship between homebuilders and NHHFA needs to be improved.**
The panelists suggested that NHHFA should increase the awareness of its programs in order to get first-time buyers into their program. It would be advisable for NHHFA to have a program that encourages current renters to purchase their unit. The focus group saw a need for stronger first-time buyer incentives. Communities need to be open to a wider range of builders and investors. There needs to be a better relationship between builders and NHHFA, including a broader outreach.

Mortgage bankers and brokers

- **Foreclosures are still weighing down the real estate market.**
There are 20,000 foreclosed New Hampshire housing units in the housing supply pipeline – homes that were lost to mortgage delinquency in the Great Recession. Lots of formerly distressed homes are in such bad shape that they do not qualify as collateral; this also limits the first-time home buyer market.
- **Recent changes in mortgage-lending standards could slow the loan market.**
Mortgage bankers are very concerned about changes in Federal legislation effective January 10, 2014. The Ability to Repay and Qualified Mortgage Standards (QM) issued by the Consumer Financial Protection Bureau (CFPB) will increase the regulatory burden and slow mortgage issuance, according to the panelists. There are eight specific QM

guidelines on consumer requirements for the mortgage loan. Mortgage bankers, especially at small bank lending departments, do not have the resources for QM, and fear that the regulations will remove their flexibility to make a home loan. CFPB causes lenders to think more about compliance than lending, pushing mortgage bankers toward being less likely to take a chance on a good loan that is borderline. In addition this increased need for documentation means buyers may lose track of loan requirements.

- **The market remains difficult for people with fewer assets or looking for lower priced homes.**

Mortgage bankers noted that under QM regulations, the risk associated with loans (delinquency/default) will be born by the lender if those loans were made with a debt –to-income ratio of over 43 percent. An applicant could default on a loan, come back in three years, and say that the lender should never have approved the loan. This essentially means that the lender is responsible if the applicant cannot make their mortgage payments in the first three years of the loan. Subsequently, loans will probably not be made to those applicants. The panelists believe that the first time home buyer market will be slowed by QM and other caps on lending, since this is the group with the least amount of financial resources. The Consumer Protection Statutes are actually hurting in terms of qualifying standards and increased fees.

- **Low income households will be hurt more than other groups.**

All of these additional lending requirements and regulations may have Community Reinvestment Act implications – it may look like loan originators are “redlining” neighborhoods, when in fact the lenders are tightening lending in response to QM standards. Therefore the low to moderate income borrowers will see a greater impact from QM. QM may also drive more home buyers to the NHHFA programs, because NHHFA has flexible loan programs that are designed for those borrowers

- **Employers may also balk at new requirements.**

Verification of employment will be needed for new loans, but some employers may not fully comply with this requirement. The panelists noted that some employers are reluctant to hire, because they do not want to layoff people if business turns sour. In these cases when mortgage writers contact an applicant’s employer to verify employment and wages, these employers will not verify on the employer verification form (for mortgage) that overtime (or annual bonus) is guaranteed. In these cases overtime income cannot count in the debt to income ratio on the mortgage application.

Realtors

- **Location dictates the strength of the local markets, with access to major transportation corridors (Route 3, I-93, I-89) a major lure for buyers.**

From Nashua to Peterborough to Bedford it is a seller’s market. Realtors are occasionally seeing multiple offers, but after the first or second tier away from Route 3, the activity and attractiveness of the market falls off quickly, indicating buyers are very particular in their interests. The hottest housing markets are along the highways (I-93, Everett Turnpike, and I-89 making an easy commute between Concord and Manchester to Hanover), but go a few towns away and the market changes dramatically. Realtors noted

a big difference between Bedford and Amherst, as an example. Towns in the Monadnock region (Hancock as an example), and towns more than two towns away from the highways see very little sales activity and declining property values. There are very few first-time buyers in the North Country due to limited incomes in that population. Realtors expressed a concern that the cycle of declining property values and increasing taxes will result in a community death spiral.

- **“Upsizing” is much less common than in the past.**

Buyers are much more educated than ever before about price points, tax rates, etc. That means that an over-priced house cannot be sold in this market (so no more “market testing”), while a house that may be underpriced moves very quickly. Moreover, those interested in upsizing (also known as the move-up market) are more much limited in size than in the past, as a result of a weak equity position—many potential move-up people cannot sell their existing home at an attractive price.

- **Both ends of the market (first-time buyers and downsizing boomers) are struggling, though they appear to be looking for similar types of housing.**

First time buyers as well as those considering retirement are challenged in this marketplace. Affordability is a problem for first time buyers, because they are not getting good jobs and have high student debt. At the same time realtors have problems in selling to the over 55 market, because the Baby Boomers have lost equity, and cannot downsize. It appears that both first-time buyers and boomers are interested in the same product—smaller ranches and capes – but for different reasons. Older households are downsizing to ranches and small capes popular with the 55+ contingent of the market. Single level living is attractive, even for people who do not have kids, and ranches are in the correct price range. Younger households are attracted to ranches and capes because they are smaller and more affordable.

- **Affordable housing faces challenges from restrictive local ordinances.**

Planning boards are still scared of over development. Town officials still see family housing as adding to the cost of town services, so planning board approvals for over age 55 housing are probably done in 6 months, versus 3 years for family housing. Town officials are reluctant to change local ordinances in order to accept workforce housing with children in their municipality, despite the recently enacted state statute on workforce housing.⁷ Impact fees and planning board conditions requiring infrastructure improvement payments are being increased in some municipalities.

- **Creative local solutions are seldom pursued.**

The panelists cited a type of “hyper-localism” in their communities, which eschews regional approaches to housing solutions, and slows residential and commercial development. For example, in the Mt. Washington Valley there is a fear of building too much “cheap” workforce housing. At the same time Conway and Jackson have seen declining school age populations, and are competing for students. One panel member

⁷ In 2008, the New Hampshire Legislature passed a law that requires every community to provide "reasonable and realistic opportunities" for the development of workforce housing. <http://www.nhhfa.org/housing-data-workforce-housing-law.cfm>

noted that some in planning know about the changing demographics of New Hampshire, but still do not care. Still towns like Amherst, Conway and Lebanon are looking seriously at allowing accessory apartments in existing single family 4 bedroom homes, which would help meet the demand for affordable housing.

Regional Planning Commissions

- **Workforce housing is not a priority for many communities.**
Public perception is that workforce housing need is not a problem, even among those who are overpaying for housing. Surveys done by the regional planning commissions in Nashua, Concord and other municipalities indicate that the general population ranks the need for housing fairly low – quality of life and amenities rank higher as concerns in the general population. If communities have an older population, the residents cannot see the need to build additional workforce housing. Planning board members already have houses and usually number among the oldest residents of a town, so they do not see the need for additional construction. As one town planner reportedly said: “If we don’t build anything, then nothing will change.”
- **Multi-family housing is seen as a potential burden on property taxes.**
Town planners are still concerned about multi-family and workforce housing, and the potential burden that such housing will place on property taxes and schools. Local officials are aware of the existing workforce housing statute, but have trouble understanding it. A small number of people who are not educated on housing issues can stand in the way of development that most people might accept.
- **Local approval process for new development can be adversarial.**
Planning boards are frightened of approving a bad project, because that one bad project becomes “Bill Smith’s boondoggle” and lives on after Bill Smith has left the planning board. At the same time a developer can spend a year and a half to plan a development, but then that developer expects a decision from a planning board within 60 days. These misunderstandings create an adversarial relationship between the development community and planning boards. The development process should be give and take, but the current system of approvals, including the town meeting process for approving new projects, is too adversarial.
- **Municipalities lack the capacity to pursue creative solutions**
Some towns are starting to realize that their children and grandchildren cannot move back into the community because they cannot find a place to live. There is a fear that the seniors will not vacate their existing houses, but people also fear “opening the flood gates” to new development. Even towns that want to revise their planning process often times cannot afford the technical assistance needed to improve local planning. Regional planning commissions probably have that technical assistance, but they have to be asked – planning commissions cannot “force” assistance on to the towns.

Senior Housing Experts

- **“Aging in place” is a priority for older populations.**
Seniors are the fastest growing demographic group in New Hampshire. They have a

strong preference for “aging in place” – with very low rates of mobility. Even when seniors move they tend to stay in the same state, even the same community. There is a desire for one level living among elders. This desire for ease of access may also have implication for existing senior communities already built in New Hampshire. Most 55+ communities are in rural areas, so transportation will be a developing problem in senior housing.

- **Drop in home values has resulted in significant reduction in equity for seniors.**
Affordability is the first and most important consideration in both housing and long term care for seniors. Falling housing values have depleted wealth of seniors. Many elders that thought they had sufficient financial resources, after selling their house, find those resources depleted and have to go on Medicaid. The problem is exacerbated by longevity – people are living longer than their assets can hold out. Many seniors will not voluntarily go to a nursing home or hospital – however when 911 is called, and senior is brought to a hospital then the choice is made by the hospital. People move to assisted living, which drains their savings, and when they need more services they are placed into a nursing home, which takes whatever is left. Financial resources needed to go into a nursing home are high, so panelists noted that seniors are defaulting to home based assisted living (because it is cheaper). Formal assisted living is not a solution for everyone because of the high costs (assisted living costs about \$50K a year; a nursing home about \$80K plus a year). Within assisted living, once someone surpasses a standard of health that individual must go to a nursing home, and then once that funding is exhausted the elder goes on Medicaid. Therefore, the ranks of Medicaid patients are rising.
- **Housing options for seniors are becoming more diverse.**
The panelists noted that housing solutions for seniors are becoming more creative and diverse. Some noted that they are even starting to see younger people buying homes and subdividing lots for older Alzheimer’s parent/grandparent to live on the same property. Multiple ownership housing for elders may offer a solution to housing problems for older residents. Co-housing is an arrangement under which a group of individuals live in the same structure, and usually includes joint ownership. One panelist noted that co-housing has been successful elsewhere in the United States, but felt modifications to some zoning ordinances in New Hampshire might be necessary. The same panelist noted that co-housing would be difficult to finance. There are some examples of co-ops in New Hampshire, but very few.
Manufactured-home parks were mentioned as an affordable option for seniors. Manufactured homes are generally less expensive, and such housing could even include a manufactured home rental program. NHHFA explored a manufactured home financing product at one point, but several factors prevented implementation of the program.

Workforce Housing

- **Workforce housing is in great demand, despite falling interest rates and housing prices.**
Workforce housing advocates see a continuing imbalance in local housing markets, in nearly every region of New Hampshire. Young people are squeezed out of home

ownership by lack of homes and also credit requirements (hard to get under the 43% debt to income ratio, as mentioned by the mortgage bankers). Even two income families struggle. Housing problems are made worse by a tight rental market and rising rents that jeopardize affordability. The panelists noted that housing prices and interest rates have fallen in the last few years. Housing should be more affordable, based on looking at falling prices and current median income, but not every potential home owner is at the median and can meet the financial qualifications for home ownership. Even though apartment rents are \$900 to \$1,000 a month with utilities, home ownership is still out of reach for most workers (only two incomes can buy a house). As a result, people move further away from their work to find affordable housing, giving up space or other amenities in order to find someplace to live that is affordable.

- **The impediments to workforce housing are multiple: zoning requirements, lack of planning infrastructure, and popular skepticism.**

The major impediments to increasing the supply of workforce housing are zoning requirements, lack of planning infrastructure, and a generally skeptical attitude towards workforce housing within the regulatory arena. The workforce housing situation is made worse by local zoning ordinances that have not kept pace with the times. The local planning process is driven by fear of unintended consequences, no collective decision making, and not enough resources in local planning (and regional planning). People are worried about ruining what is “special” about the town. And the need for regional planning goes against the grain of local control, because communities see change as being local.

Another major impediment to development of additional workforce housing is the environmental-conservation bias in local regulatory agencies. Too many New Hampshire communities still require 5-acre minimum housing lots, believing that such requirements will preserve the rural character of the community. In fact, large lot requirements consume a lot of land, and increase sprawl, adding to the cost of local community services.

- **Rehabilitation of older housing stock is a major challenge.**

There are still many challenges to building affordable workforce housing in New Hampshire. For example, government housing programs such as Fannie Mae and Freddie Mac favor acquisition of newer homes, rather than accommodating acquisition and rehabilitation of older homes. Rehabilitation of existing housing stock is a real challenge because housing rehabilitation in many cases is not cheaper than building new housing (so existing stock sits idle and vacant). Rehabilitation of former mill buildings could be attractive to retiring Baby Boomers because such housing offers one floor living, which is in demand from the 55 to 70 year old crowd.

- **Even where communities sense a problem, lack of knowledge is a barrier to smart planning.**

Towns are more aware of their obligations in light of the state statute regarding workforce housing. Town planning employees reporting to a planning board many times do not want to stick their necks out with a planning recommendation.

School enrollment is declining in many New Hampshire towns, but most New Hampshire

town planning officials are so concerned with losing the town's "rural character" that they are reluctant to modify local ordinances. Planning boards do not want to make exceptions to existing regulations for just one business, and it is difficult for planning boards to see the broader picture. Some communities are beginning to see that they need young people for economic development and to keep schools viable. Part of the problem is that small towns may see that they have a problem, but they do not "know how to grow well" because they lack the planning skills to allow in young families without losing rural character. There is a shortage of skilled professional direction available in small communities. Most towns do not have a planning department or planning director. Municipals want to make changes that will work for everyone, but lack the sophisticated planning skills to do that (no shared vision).

Young Professionals

- **Young professionals have diverse and non-traditional attitudes about housing.** Young professionals are the group that New Hampshire most wants to attract and retain, but the available evidence suggests that this group is more likely to migrate out of New Hampshire than any other group. Young professionals have very diverse and non-traditional approaches to housing, and they pursue several housing options including:
 - Owning a home, but leasing out a bedroom to cover costs of home ownership.
 - Living with parents.
 - Commuting long distances in order to hold on to better housing options.
 - Investing in a home, fixing it up with an eye toward either leasing it and moving up or selling it (flipping).
 - Renting with another couple, or otherwise "doubling up".

In addition, this group is less likely than any other to see housing as an investment (probably as a result of declining home prices seen in the last few years). The group expressed a general wariness about commitment to home ownership, given the declines in housing prices during the Great Recession. A common theme among the group was the worry of buying "too much house" for their needs, and a preference for renting over home ownership.

Young professionals on the panel showed a preference for rural living arrangements, but they are also concerned that this choice is limited because good jobs are scarce in much of rural New Hampshire. At the same time, this group is also worried about losing the character of place (i.e. too much growth in rural areas).

- **Barriers to entry into the housing market remain considerable.** For this group, their permanent relationships are more likely to form later in their lives than was true for the boomers. So it is likely that their housing preference will shift later in life, as well. In general, until the individual has settled into a permanent pattern, the need/ability to own a home is not strong among young professionals. It is well documented elsewhere that this generation carries high levels of student debt. According to the research, 75% of New Hampshire college graduates carry some kind of student debt; with an average of \$32,900, which is the highest level in the country. Student debt is not only seen by this group as a housing barrier (which restricts access to home financing because of high debt to income ratios) but also as a relationship barrier.

One group member put the problem this way: “Do I really want to settle down with a partner who carries \$50K in student debt, and have that debt become mine?”

- **Young people have concerns about community and housing services.**

Young professionals are concerned about communities cutting back on local services and school quality. One panel member noted that while New Hampshire wants to attract and retain young, educated individuals, at the same time local governments are cutting funding to elementary and secondary education, and making it difficult to find affordable housing in those communities. Proximity to services, including those provided by a parent can be important to this group. When asked, young professionals suggested that the NHHFA offer more educational or financial assistance for acquisition of small (2 to 4 unit) multi-family properties. Young professionals see a need to educate the public about the value of workforce housing. They also see a need to educate individuals in their own age group on housing and personal finance (“My friends don’t know or understand this stuff”).

Appendix A – Focus Group Members and Questionnaires

Table 1: Housing Preferences Focus Group Members

Home Builders	De Desharais	Ashwood Development Co.
Home Builders	Bob Colgate	Monadnock Log Home Services
Home Builders	Dick Anagnost	The Anagnost Companies
Home Builders	John Stabile II	The Stabile Companies
Mortgage Bankers	Steve Bauer	MBBA-NH
Mortgage Bankers	Gladys A. White	Residential Mortgage Services (RMS)
Mortgage Bankers	Mark McCauley	Regency Mortgage
Mortgage Bankers	Evelyn Whelton	Northway Bank
Mortgage Bankers	Gina McCulloch	Merrimack Mortgage
Mortgage Bankers	Mike Mulhern	Service Credit Union
Mortgage Bankers	Mary Sullivan	St. Mary's Bank
Mortgage Bankers	Peter Thompson	Bank of NH
Realtors	Dick Badger	Badger Realty
Realtors	Richard Burbine	Bean
Realtors	Laura Hallahan	Tall Pines
Realtors	Dave Hennessey	Commercial Broker
Realtors	Lynne LaBombard	Housing Solutions
Realtors	Jayne Middlemiss	Commercial Broker
Realtors	Nancy Thompson	Masilleo
Regional Planning Commissions	Gerald Coogan	Lakes Region PC
Regional Planning Commissions	Jillian Harris	Southern NH PC
Regional Planning Commissions	Jack Munn	Southern NH PC
Regional Planning Commissions	Matt Sullivan	Strafford Reg PC
Regional Planning Commissions	Shayna Sylvia	Strafford Reg PC
Regional Planning Commissions	Tara Germond	Southwest RPC
Regional Planning Commissions	Matt Monahan	Central NH RPC
Regional Planning Commissions	Courtney Croteau	Central NH RPC
Regional Planning Commissions	Kerrie Diers	Nashua RPC
Regional Planning Commissions	Jen Cysz	Nashua RPC
Regional Planning Commissions	Glenn Greenwood	Rockingham PC
Regional Planning Commissions	Mike McCrory	Upper Valley Lake Sunapee RPC
Senior Housing	Arlene Burns	Senior Citizen
Senior Housing	Claira Monier	AARP
Senior Housing	Sherri Harden	AARP
Senior Housing	Joan Schulze	SCOA
Senior Housing	Jane Rothwell	Procare Home Health Services
Senior Housing	Kelly Clark	AARP
Senior Housing	Meghan Brady	St. Joseph Community Services
Workforce Housing	Donna Young	Eastern Lakes Region Housing Coalition
Workforce Housing	Theresa Kennett	Mount Washington Valley Housing Coalition
Workforce Housing	Anne Duncan Cooley	Upper Valley Housing Coalition
Workforce Housing	Ashlee Iber	Workforce Housing Coalition of the Greater Seacoast
Workforce Housing	Susy Thielen	Heading for Home (Keene)
Young Professionals	Griffin LaFleur	SilverTech, Inc.
Young Professionals	Alyssa Buckley	Nearby Registry
Young Professionals	Mike Burrierer	Autodesk, Inc.
Young Professionals	Kate Luczko	Stay, Work, Play
Young Professionals	Courtney Croteau	Central Regional Planning Comm
Young Professionals	Amy Currie	CDFA
Young Professionals	Anna Moskov	NHPR
Young Professionals	Mike Turcotte	Turn Cycle Solutions

Homebuilder Questions/Issues

How would you characterize the current market for new:

Single family units

Condominiums

Rental units

What market segments are strongest now?

First time buyers

Move up buyers

Boomers downsizing

Which of the following are most critical issues for new housing production?

Local and state regulations

Qualifying buyers/mortgage money availability

Interest rates

Availability of land/lots

Material prices

Land prices

What are your major concerns regarding new housing production

Now

Looking ahead 5 years or so

Do you participate in any NHHFA programs for housing production?

If so, which ones and how would you rate the programs in terms of ease of use and effectiveness

If not, why not

Are you targeting product to the age 55+/boomer market and if so how are you doing with it?

Are you targeting product to first time/young professional buyers...why or why not and what is the market response.

What do you see as the major impediments to a balanced housing market over the next five years?

How can NHHFA best help achieve a balanced market over the next five years

Realtor Questions/Issues

How would you characterize the current market for new:

Single family units

Condominiums

Rental units

What are your major concerns regarding the current housing market

Now

Looking ahead 5 years or so

What market segments are strongest now?

First time buyers

Move up buyers

Boomers downsizing

Which of the following are most critical issues in the current housing market?

Housing affordability for first time and move up buyers

Qualifying buyers/mortgage money availability

Appraisal standards

Interest rates

Availability of land/lots

Housing supply...for first time buyers...for move ups, for boomers

Do you participate in any NHHFA programs for housing affordability?

If so, which ones and how would you rate the programs in terms of ease of use and effectiveness

If not, why not

What do you see as the major issues in the age 55+/boomer market?

What do you see as the major issues in the first time buyer market?

What do you see as the major impediments to a balanced housing market over the next five years?

How can NHHFA best help achieve a balanced market over the next five years

Mortgage Banker Questions/Issues

How would you characterize the current market for new:

Single family units

Condominiums

Rental units

What are your major concerns regarding the current housing market

Now

Looking ahead 5 years or so

What do you see as the major issues in the first time buyer market?

What do you see as the major issues in the age 55+/boomer market?

What market segments are strongest now?

First time buyers

Move up buyers

Boomers downsizing

Which of the following are most critical issues in the current housing market?

Qualifying buyers/mortgage money availability

Federal/State/Local Regulations

Housing affordability for first time and move up buyers

Appraisal standards

Interest rates

Availability of land/lots

Housing supply...for first time buyers...for move ups, for boomers

Do you participate in any NHHFA programs for housing affordability?

If so, which ones and how would you rate the programs in terms of ease of use and effectiveness

If not, why not

What do you see as the major impediments to a balanced housing market over the next five years?

How can NHHFA best help achieve a balanced market over the next five years

Workforce Housing Questions/Issues

What do you see as the major issues in the Workforce Housing rental market?

What do you see as the major issues in the Workforce Housing ownership market?

What is your sense of the local political climate and business sector support for workforce housing

Is the concept of workforce housing clearly understood in your area

What is the impact of the state workforce housing statutes?

Which of the following are most critical issues in the current workforce housing market?

Federal/State/Local Regulations

Quality bread-winner jobs

Perceived economic/school impact

Availability of land/lots

Qualifying buyers/mortgage money availability

Housing affordability for first time and move up buyers

Appraisal standards

Interest rates

Housing supply...for first time buyers...for move ups, for boomers

Do you participate in any NHHFA programs for housing affordability?

If so, which ones and how would you rate the programs in terms of ease of use and effectiveness

If not, why not

What do you see as the major impediments to a balanced workforce housing market over the next five years?

How can NHHFA best help achieve a balanced workforce market over the next five years

Regional Planning Questions/Issues

New Hampshire regional planning commissions are required under RSA 36:47, II to compile assessments of regional housing needs for persons and families of all levels of income. The purpose of the Regional Housing Needs Assessment is to assist municipalities in complying with RSA 674:2, III (content of the housing section of the local master plan) by providing an assessment of the existing and future need in the region for housing for all levels of income.

What do you see as the major issues in affordable housing rental market?

What do you see as the major issues in the affordable housing ownership market?

What is your sense of the local political climate and business sector support for affordable housing?

What is the current regulatory climate and issues among your communities?

Which of the following are most critical issues in the current affordable housing market?

Federal/State/Local Regulations

Quality bread-winner jobs

Perceived economic/school impact

Availability of land/lots

Qualifying buyers/mortgage money availability

Housing affordability for first time and move up buyers

Appraisal standards

Interest rates

Housing supply...for first time buyers...for move ups, for boomers

Do you participate in any NHHFA programs for housing affordability?

If so, which ones and how would you rate the programs in terms of ease of use and effectiveness

If not, why not

What do you see as the major impediments to a balanced affordable housing market over the next five years?

How can NHHFA best help achieve a balanced affordable market over the next five years

How are you planning for the Analysis of Impediments to Fair Housing Choice (AI) which asks all HUD grantees to measure the primary determinants influencing fair housing conditions, including:

- improving integrated living patterns and overcoming historic patterns of segregation;
- reducing racial and ethnic concentrations of poverty;
- reducing disparities by race, color, religion, sex, familial status, national origin, or disability in access to community assets such as education, transit access, and employment, as well as exposure to environmental health hazards and other stressors that harm a person's quality of life;
- responding to disproportionate housing needs by protected class?

Senior Housing Questions/Issues

It is generally recognized that most seniors prefer to remain in conventional housing...what are the impediments to this in NH and how are they being addressed?

What do you see as the major housing affordability issues for seniors going forward? (Owners and then renters)

What is the current state of CCRC....occupancy, demand, costs?

What are the emerging trends for (1) nursing home care and for (2) assisted living?

What do you see as housing affordability issues and opportunities for senior housing?

Are there distinct patterns in senior housing issues around the state?

What do you see as the major issues in the Senior and Near Retirement Housing rental market?

What do you see as the major issues in the Senior and Near Retirement Housing ownership market?

What is your sense of the local political climate and business sector support for senior housing?

Which of the following are most critical issues in the current senior housing market?

Federal/State/Local Regulations

Care for senior parents/grandparents

Transportation access

Perceived economic impact

Availability of land/lots

Qualifying buyers/mortgage money availability

Housing affordability for buyers moving or adjusting to new housing needs.

Appraisal standards

Interest rates

Housing supply...for boomers

Do you participate in any NHHFA programs for housing affordability?

If so, which ones and how would you rate the programs in terms of ease of use and effectiveness

If not, why not

What do you see as the major impediments to a balanced senior housing market over the next five years?

How can NHHFA best help achieve a balanced senior market over the next five years.

Young Professional Housing Questions/Issues

What are the impediments to young professionals buying their home this in NH and how are they being addressed?

Young Professionals are less attracted to ownership

Young Professionals can't afford ownership

Young Professionals can't find the type of housing they want in the location they desire

What type of housing is most attractive to Young Professionals and in what type of location?

Or do you think that renting is a better option in the current housing market?

What do you see as the major housing affordability issues for young professionals going forward? (Owners and then renters)

Are there distinct patterns in young professional housing issues around the state?

What is your sense of the local political climate and business sector support for first time home buyer housing?

Which of the following are most critical issues in the current first time home buyer housing market?

Federal/State/Local Regulations

Distance to work (transportation)

Schools and other quality of life issues for young families

Availability of land/lots

Qualifying buyers/mortgage money availability

Housing affordability for buyers moving or adjusting to new housing needs.

Appraisal standards

Interest rates

Housing supply...for the echo generation.

Do you participate in any NHHFA programs for housing affordability?

If so, which ones and how would you rate the programs in terms of ease of use and effectiveness

If not, why not

What do you see as the major impediments to a balanced young professional housing market over the next five years?

How can NHHFA best help achieve a balanced market over the next five years?