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Workforce housing in N.H. - by Kathleen Holden Bergeron

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Since the early 2000's, rising home prices and rents in New Hampshire have resulted in challenges for residents finding affordable housing in some areas. Meanwhile, record low unemployment has burdened businesses with a scarcity of qualified employees. This type of imbalance can stagnate economic growth for any region. In N.H., this challenge led to the creation of RSA 674:58 – 61, N.H.'s Workforce Housing Law, which went into effect in January, 2010.

What is Workforce Housing? Workforce housing is non subsidized housing that is affordable to the workforce. Workforce housing is not traditional, subsidized low income or age restricted housing. The 'Workforce' is identified as residents with occupations such as teachers, firefighters, medical staff and those working in the service, manufacturing and tourist industries. According to the law, residents eligible for workforce rental housing earn up to 60% of the Area Median Income (AMI) for a family of three, or 100% of AMI for a family of four for those purchasing a home. Housing costs would be no more than 30% of income, inclusive of rent and utilities for apartments and mortgage, taxes and insurance for home purchased. For rental housing, this means that a person with an annual income of up to \$57,600 would qualify for workforce housing, and rent would be no more than \$1,440 per month, inclusive of utilities. (NHHFA Current Program Area Income Limits, 4/1/2021).

In some regions workforce housing occurs naturally due to large supply of housing or lower rents overall. However, many regions of N.H. would require rents to be artificially suppressed to stay within these limits. According to N.H. Housing Finance Authority, the Median Rent for a two-bedroom unit in Rockingham County is \$1,623 monthly (inclusive of utilities), with a vacancy rate of under 1%. This is well above the maximum workforce rent limit of \$1,440 per month.

In order to encourage towns to create workforce housing, RSA 674:58-61 specifies that communities must identify their existing stock of affordable housing, and allow opportunities for the development of workforce housing. Municipalities have taken different approaches to inclusionary zoning. Some allow for accessory dwelling units to be constructed on a property, or offer density bonuses for the inclusion of workforce housing units in developments. Some have identified areas where multi-family housing can be constructed and approved zoning changes to allow for such development.

If a developer does take advantage of a density bonus, or the ability to construct more units than allowed by zoning in exchange for the construction of a certain number of workforce housing units, there are several additional steps that must be taken to ensure compliance with workforce housing parameters. Typically, the site will be subject to a Land Use Restriction Agreement, or Workforce Unit Covenant Agreement, which would specify how many units would have restricted rents. This recorded agreement is in effect for a certain number of years, typically 30-50 years, and would pass to any future owner of the development. In addition to the deed restriction, it is the responsibility of the developer to ensure compliance, both that the rent is appropriate within the designated rent limit and to certify the tenants' income is below the current income limit. The administration of this type of compliance is beyond the normal responsibilities of most developers and apartment management

companies. According to Sarah Wrightsman, executive director of the Workforce Housing Coalition of the Greater Seacoast, administration and ensuring compliance can be a stumbling block for some developments. Currently, the oversight of income and rent compliance is being handled differently for each project. In Portsmouth, compliance is monitored by the Portsmouth Housing Authority. Other developers in N.H. have hired third parties that are set up with systems to handle compliance. Because this type of development is fairly new, each municipality negotiates deed restrictions and assurance of compliance differently. To date, there is little historical information on how the inclusion of workforce apartments effects operating costs or marketability of a project. Also, given the wide variety of ways workforce housing has been developed throughout N.H., it is difficult to track success of developments and if development so far has had an impact on the undersupply of affordable housing. While the term 'Workforce Housing' is now commonly used, and N.H.'s RSA 674:58 has been in effect since 2010, the definition is still often misunderstood. According to Sarah Wrightsman, a big challenge is to educate people on what this type of housing actually is, and how it can benefit our economy. Going forward, with more data available on new projects, it may be easier to inform the public about workforce housing, including what it is and the value it can bring to N.H.

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