



April 29, 2022

New Hampshire Executive Council  
State House  
Concord, NH 03301

**RE: InvestNH item**

Dear Councilors,

During the April 20 Council meeting, we had a robust discussion on the InvestNH program to bring \$100 million to address the workforce housing crisis in New Hampshire. At that meeting we discussed many aspects of the proposal and in the end, the Council clearly expressed a desire to see more program details. To be thorough, I subsequently followed up with each of you, offering to take on any new or additional written questions. Although I have not received any additional questions to date, I am pleased to provide you the detail included herein.

This document provides additional specific details related to program functionality for each of the four grant programs we've proposed. I have also assembled a question and answer section to get at some of the specific issues that came up at the meeting on April 20.

I look forward to having an opportunity to discuss this with you again at your next meeting on May 4. I appreciate your desire for these details and am hopeful that you reach a point that allows you to support our request to obligate these resources to address the current housing crisis. I cannot emphasize enough that time is of the essence here as we move to have this program available for the upcoming construction season while remaining mindful of the relatively short window we have under the ARPA rules.

Please don't hesitate to contact me if you have further questions.

Respectfully,

A handwritten signature in blue ink, appearing to read 'T. Caswell'.

Taylor Caswell  
Commissioner

### **CAPITAL GRANT PROGRAM – Project Specific Funding**

#### **TOTAL OBLIGATION.**

\$60 million including \$10 million to NH Housing Finance Authority (NHHFA) programming

#### **PROGRAM DESCRIPTION.**

Flexible supplemental funding available for development of new multifamily rental housing units in the State. This program is intended to accelerate unit production in projects already using other private and/or public funding sources.

#### **ELIGIBLE ACTIVITIES.**

- Construction and other hard costs such as
  - Infrastructure upgrades necessary for project
  - Environmental remediation (hard costs)
  - Construction
  - ADA required upgrades
- NOT eligible:
  - Soft costs such as permitting costs, engineering, legal, or architecture
  - Land acquisition
  - Landscaping
  - Financing costs
  - Developer fees

#### **ELIGIBLE APPLICANTS.**

- Responsible project developer and/or owner of multifamily rental housing project of 3 or more units per structure
  - Must add to housing stock (no rehab of existing housing)
  - Housing must be used for long term residential and not for short term or seasonal rentals.
- In order to apply, local permits must be completed and construction eligible to be underway. Conditioned permits are allowed as long as the conditions are solely related to pending action from the State of New Hampshire.
- Applicant must identify the reason for funding and demonstrate a matching dollar for dollar investment of requested award

#### **PROGRAM OPERATION SUMMARY.**

- Applicants for projects with more than 15 units or over \$3 million in total development cost must demonstrate an affordability commitment. Eligible confirmation of this would include:
  - Project funding must include other grants, loans, or tax credits that include a requirement that units be available for rent by individuals or families with incomes at or below 80% of area median income.
  - A minimum of 20% of the project units are reserved for people with limited income as defined by the permitting municipality. Rent restrictions will be in place for at least five years.
- Applicants for projects with 15 units or fewer or less than \$3 million in total development costs will be subject to a rent cap below the maximum rent affordable to 80% of the average median income applicable in the area of the property. Grant recipients would agree to maintain that rent level (adjusted annually) for a minimum of five years.
- Cap of \$3 million per project.
- Program is envisioned to run on 6-week application cycles. Initial rounds will be limited to nonprofit developers and for those with less than 10 units
- Applications will open Monday, June 20, 2022 through Friday, June 30, 2023. Projects must aim to be complete within 18 months.

- Funds would be issued on a reimbursement basis.
- Applications will undergo analysis that may include the following:
  - Project costs and request are reasonable
  - Projected rents meet housing needs as proven by data about housing needs in area of project
  - All sources of project financing are committed
  - To the extent practicable, InvestNH funds are not substituted for non-federal financial support

## **MUNICIPAL PER UNIT GRANT**

### **TOTAL OBLIGATION.**

\$30 million

### **PROGRAM DESCRIPTION.**

Flexible grants for municipalities that issue permits for eligible housing within six months of initial application.

### **ELIGIBLE ACTIVITIES.**

- Flexible grant to municipality. Limited restrictions on use (follow SLFRF revenue replacement guidelines).
- Grants made on a per-unit basis for housing that have five or more rental units and add to local housing stock.
  - To be eligible under this program, units must meet the same criteria as the capital grant program.

### **ELIGIBLE APPLICANTS**

- NH municipalities
- Local permits must be complete at least six months from initial application. Conditioned permits are allowed as long as the conditions are solely related to pending action from the State of New Hampshire.

### **PROGRAM OPERATION POINTS.**

- Rolling applications until funds are gone
- Grant award = \$10,000 per unit.
  - Cap of \$1m per project.
  - Limited to \$1m per municipality
    - Waivers can be issued to this cap for units that otherwise fit the requirements of the program but are specifically for units built to Universal Design standards

**MUNICIPAL ZONING GRANT**

**TOTAL OBLIGATION.**

\$5 million

**PROGRAM DESCRIPTION.**

Grant program to municipalities to support and study zoning or regulatory causes of a lack of affordable housing, identify potential changes to zoning rules and regulations, and/or establish or update those rules and regulations in response to those findings.

**ELIGIBLE ACTIVITIES**

- Grant funds are for some or all of the following services:
  - work with the municipality and local community to identify its housing needs and understand development options
  - review current regulations
  - re-write or create new zoning regulation
- Stated primary goal of the request must be to *increase* housing stock.

**ELIGIBLE APPLICANTS.**

Incorporated cities and towns.

**PROGRAM OPERATION POINTS.**

- Rolling applications until funds are depleted.
- Funds must be obligated by December 2023 and completely spent by September 2024.

**MUNICIPAL DEMOLITION GRANT**

**TOTAL OBLIGATION**

\$5 million

**PROGRAM DESCRIPTION.**

Grant funding for demolition of vacant or dilapidated buildings.

**ELIGIBLE ACTIVITIES**

- Demolition of vacant or dilapidated buildings and any associated environmental abatement measures.
  - Portion of buildings allowed.
- Municipality requesting demolition certifies that:
  - The project or portion of the project is obsolete as to physical condition, location, or other factors, making it unsuitable for housing purposes; and
  - No reasonable program of modifications is cost-effective to return the project or portion of the project to useful life.
- Demolition must be paired with greening or other lot improvements as part of a revitalization strategy.
- Permit review requirement costs are eligible (environmental, historic review, etc).
  - Reimbursement basis

**ELIGIBLE APPLICANTS**

- Incorporated cities or towns.
- All necessary permits and certifications must be in place to request funds

**PROGRAM OPERATION POINTS.**

- Must demonstrate how use of this program will improve housing situation
- Preference for projects that will directly result in a housing development project
- Cap of \$500,000 per grant
  - Under some circumstances and with defined approvals, the cap could be exceeded in rare cases if there are sufficient funds.
  - Funds must be expended by December 31, 2024

**QUESTIONS AND ANSWERS**

*Q: How will InvestNH guarantee that funding will get to low- and moderate-income tenants?*

InvestNH applicants must demonstrate that units in their projects will only be available to tenants at 80% or below the area median income (AMI) or have rent restrictions that do not exceed the maximum affordable rent for tenants at or below 80% AMI.

*Q: How does using existing funding programs guarantee affordability?*

Programs that fund affordable housing always require the recipient to use specific limits on the incomes of the renter or of the rent cost of the unit. InvestNH grants to projects over 15 units or \$3m in development cost must also be using one or more of these existing affordable housing funding programs. This will guarantee that the projects InvestNH is funding will always include affordability commitments. For projects smaller than that, applicants will be required to commit to a rent cap below the maximum rent affordable to 80% of the average median income applicable in the area of the property.

*Q: What types of projects could use the capital fund?*

- Mixed income development
- Mixed use development (commercial and residential)
- Small-scale conversions of large single family homes to apartments

*Q: What are examples of these rents in NH communities?*

A full chart is attached, but the capital grant program would require rents be affordable for a family of 3 at 80% of AMI. According to HUD standards, these rents could not be higher than:

|                         |         |
|-------------------------|---------|
| Manchester:             | \$1,820 |
| Nashua:                 | \$2,200 |
| Portsmouth – Rochester: | \$2,100 |
| Grafton County:         | \$1,600 |
| Cheshire County:        | \$1,630 |
| Coos County:            | \$1,260 |

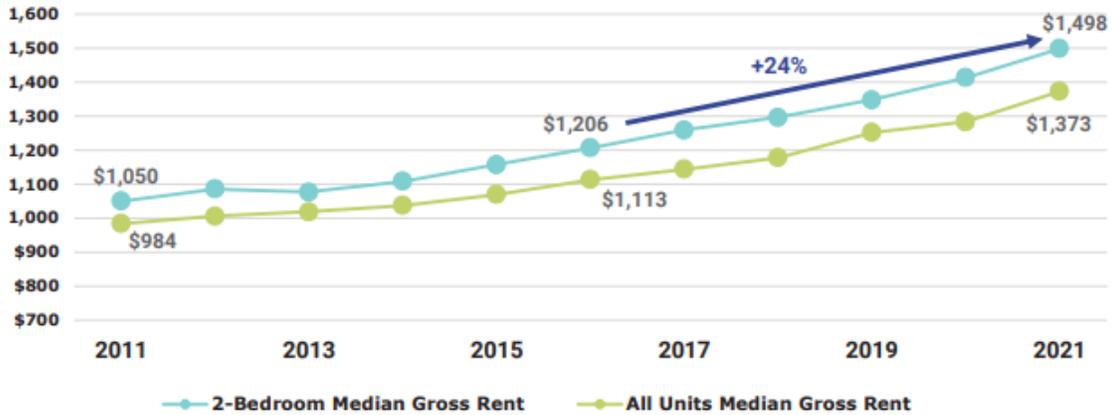
*Q: Are there examples of projects that have seen funding gaps after funding was secured?*

|            |   |
|------------|---|
| Conway:    | Avesta Housing project cost increase of \$1.2 million |
| Rochester: | Champlin Place gap of \$812,000 (65 units)            |
| Salem:     | Depot & Main gap of \$1,000,000 (74 units)            |
| Milford:   | Milford Senior Housing gap of \$1.2m (88 units)       |
| Concord:   | The Rail Yard gap of \$1.2m (96 units)                |
| Swanzey:   | Swanzey West gap of \$1.2m (84 units)                 |

Q: What are the needs in New Hampshire regarding availability and affordability of housing?

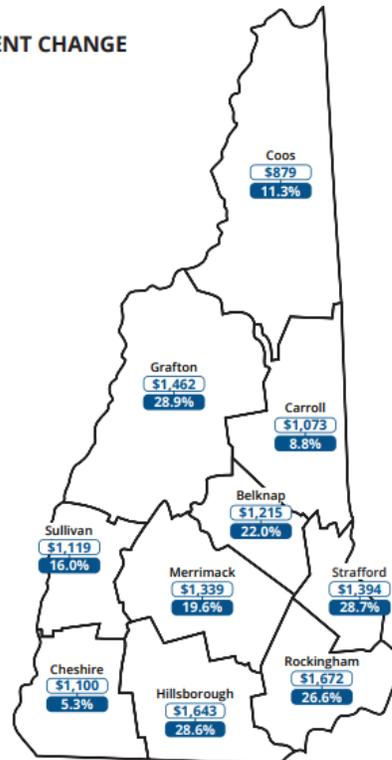
**MONTHLY MEDIAN GROSS RENTS, 2-BEDROOM & ALL UNITS (STATEWIDE, 2011 - 2021)**  
*Includes utilities*

The statewide median gross rent (including utilities) for a 2-bedroom unit has increased over 24% in the past 5 years.

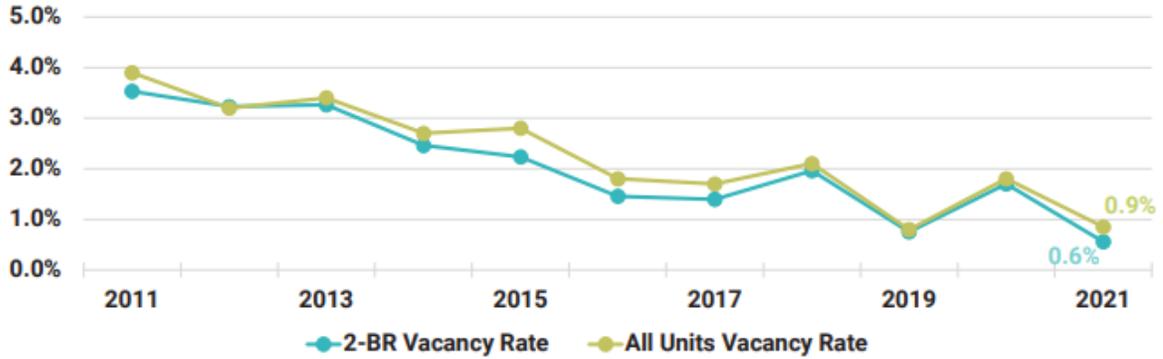


**2021 MEDIAN MONTHLY GROSS RENT AND PERCENT CHANGE BY COUNTY FOR 2-BEDROOM UNITS, 2016 - 2021**

The statewide median gross rent for a 2-bedroom unit in 2021 was \$1,498. Eighty percent of the rental units surveyed are in the southern tier (Hillsborough, Rockingham, Merrimack, and Strafford counties) and they have the highest median gross rents. The rental costs seen here in Grafton County are driven by the market in the Hanover/Lebanon area.



**STATEWIDE VACANCY RATES, 2-BEDROOM & ALL UNITS (2011 - 2021)**



**VACANCY RATES FOR ALL UNITS (STATEWIDE & COUNTY)**

|                     | 2011  | 2012  | 2013 | 2014 | 2015 | 2016 | 2017  | 2018 | 2019 | 2020 | 2021 |
|---------------------|-------|-------|------|------|------|------|-------|------|------|------|------|
| <b>STATEWIDE</b>    | 3.5%  | 3.2%  | 3.3% | 2.5% | 2.2% | 1.5% | 1.4%  | 2.0% | 0.8% | 1.8% | 0.9% |
| Belknap County      | 8.9%  | 3.3%  | 7.5% | 5.3% | 1.2% | 4.9% | 4.6%  | 4.0% | 2.0% | 1.0% | 1.2% |
| Carroll County      | 11.3% | 5.1%  | 3.1% | 3.6% | 3.9% | 1.4% | 0.0%  | *N/A | *N/A | 2.7% | 0.7% |
| Cheshire County     | 6.4%  | 7.1%  | 2.5% | 3.7% | 3.2% | 4.5% | 1.0%  | 1.7% | 0.9% | 1.9% | 1.7% |
| Coos County         | 15.2% | 12.6% | 9.5% | 7.9% | 9.2% | 6.9% | 10.7% | 3.7% | 1.0% | 1.7% | 0.6% |
| Grafton County      | 7.6%  | 7.5%  | 3.0% | 3.9% | 2.7% | 3.0% | 3.0%  | 3.9% | 0.3% | 2.8% | 1.1% |
| Hillsborough County | 2.2%  | 2.2%  | 2.6% | 2.1% | 2.3% | 0.9% | 1.2%  | 1.8% | 1.0% | 2.3% | 0.9% |
| Merrimack County    | 4.8%  | 2.7%  | 3.3% | 2.5% | 1.7% | 1.2% | 1.1%  | 2.5% | 0.5% | 1.2% | 0.4% |
| Rockingham County   | 2.7%  | 3.2%  | 3.4% | 2.1% | 1.9% | 1.0% | 1.1%  | 1.0% | 0.3% | 0.9% | 0.8% |
| Strafford County    | 3.3%  | 3.6%  | 4.9% | 2.1% | 2.3% | 1.4% | 1.2%  | 2.6% | 0.8% | 2.1% | 0.9% |
| Sullivan County     | 5.7%  | 7.4%  | 7.3% | 5.8% | 2.7% | 6.4% | 2.2%  | 0.9% | 0.0% | 0.0% | 0.5% |

