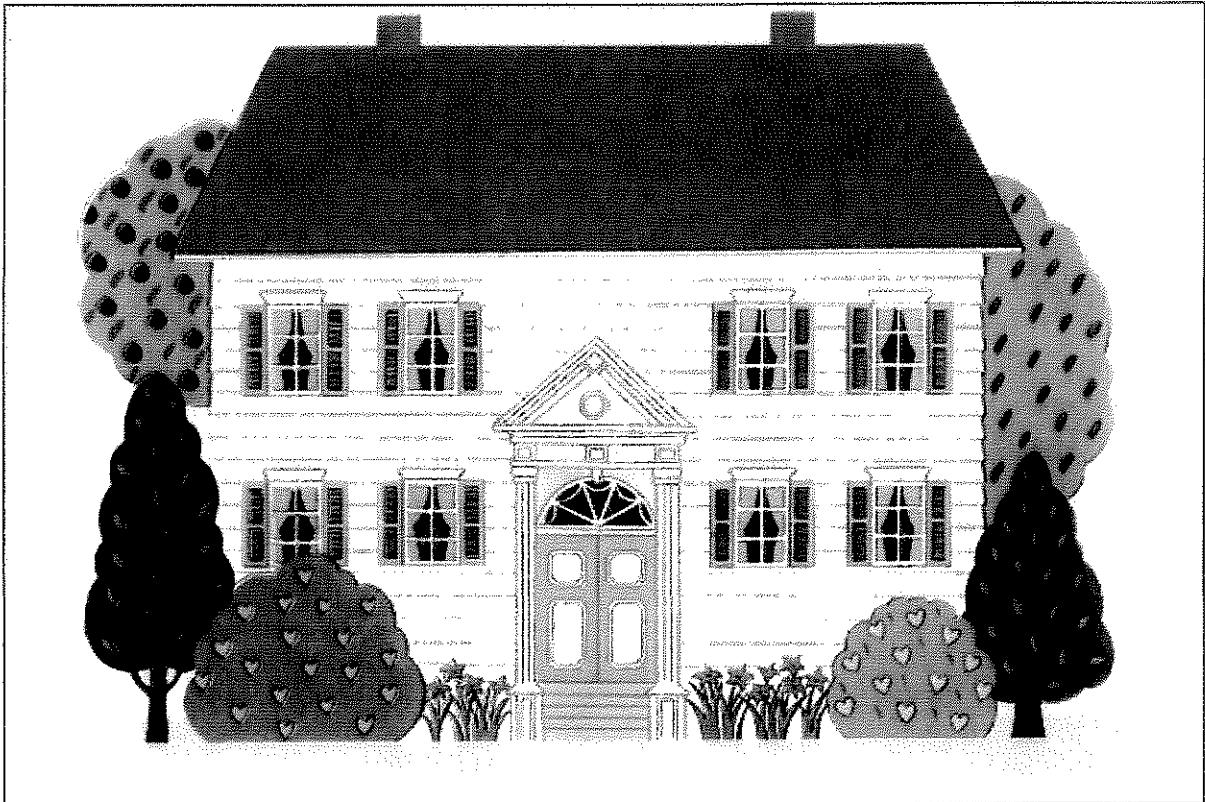


BACKGROUND INFORMATION ON HOUSING IN PORTSMOUTH



Prepared for use by the
Blue Ribbon Committee on Housing
by the Community Development Department

City of Portsmouth

March 13, 2008

Table of Contents

Introduction	1
Snapshot of Portsmouth's Housing Supply	1
The Housing-Employment Connection.....	4
The Cost of Housing	5
What's Already in Place to Address Housing Affordability in Portsmouth?	9
Assisting First Time Homebuyers Through the HomeTown Program & Portsmouth Housing Endowment Fund	9
Temporary Assistance for Homeowners in Need Through the Portsmouth Special Needs Fund	10
Providing Housing for Special Needs	11
Betty's Dream	11
Residential Accessibility Program.....	12
Disabled Tax Exemption.....	12
Developing New Affordable Housing.....	12
Introduction	12
Osprey Landing.....	13
Cottage Senior Housing	15
Lafayette School Redevelopment	16
Affordable Housing Challenge Grant.....	17
Regulatory Approaches to the Creation of Affordable Housing.....	17
Inclusionary Zoning	17
Retaining Affordable Housing.....	18
Housing Rehab Program.....	18
Elderly Tax Exemption.....	18
Expiring Section 8 Housing Developments	19
Who are the City of Portsmouth's Housing Partners?	19
Portsmouth Housing Authority.....	19
The Housing Partnership.....	20
Workforce Housing Coalition	20
NH Housing Finance Authority & Citizens Bank.....	20
Northern New England Housing Investment Fund.....	20
State of New Hampshire	20
U.S. Housing and Urban Development.....	21
What Else Can be Done to Address Affordable Housing Issues?	21
Additional Resources	21
Unmet Needs	22

Introduction

Broad consensus appears to exist that the affordability of housing in Portsmouth and the Seacoast is a very significant issue. Similarly, there is little disagreement that the high cost of housing in the region negatively impacts – among other things – the quality of life and the ability of employers to attract and retain employees.

On March 3, 2008 the Portsmouth City Council established the *Blue Ribbon Committee on Housing* and charged the Committee with:

1. Developing a “white paper” on housing options and issues in Portsmouth, including existing data about available housing and existing types of support/programs for housing available in the City, and identifying issues related to housing.
2. Identifying creative solutions that other communities have used to address housing issues like those facing Portsmouth and which of those might be relevant to the local setting, including preserving existing affordable housing stock and creating additional affordable housing opportunities.
3. Determining a short list of local opportunities for future policy and actions by the City and other local stakeholders such as financial institutions and nonprofit organizations.

This document is intended to provide information to the *Blue Ribbon Committee on Housing* as it carries out this work by providing background information about the City’s existing housing stock as well as affordable housing programs already in place in the City. In short, it is intended to be the beginnings of the affordable housing road map to be developed by the Committee.

Snapshot of Portsmouth’s Housing Supply

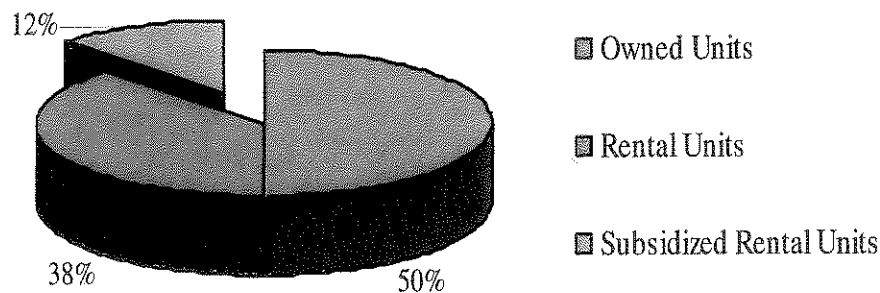
Portsmouth is fortunate to have a diverse supply of housing types including:

- owner-occupied housing in single family neighborhoods;
- large, older homes converted to condominiums;
- upper story downtown apartments;
- privately and publicly owned large and small apartment complexes;
- several older mobile home parks; and
- the World War I era planned residential neighborhood of Atlantic Heights.

Some key points that describe the City's housing stock are as follows:

- Roughly half the City's 10,186 housing units are owner-occupied; half are rental housing.
- 892 of the City's housing units benefit from project-based housing subsidies. Subsidized housing in the City represents roughly 12 percent of the City's total housing stock – or one-fifth of the City's rental housing. The families who live in subsidized housing in the City must earn less than 80% of the median area income, which is currently \$61,500 for a family of four.

Portsmouth Housing Supply



As can be seen in the table on the following page, roughly half the project based units that benefit from housing subsidies are for seniors and half are for families, with 48 units for residents with special needs. Approximately half of all of these subsidized units are owned and/or managed by the Portsmouth Housing Authority; the rest are privately owned.

The Portsmouth Housing Authority also administers tenant-based Section 8 vouchers. Since the vouchers are tenant-based rather than project-based (that is, they are not tied to a particular housing complex), they can be used by tenants to rent apartments within or outside the City of Portsmouth.

Assisted Housing City of Portsmouth

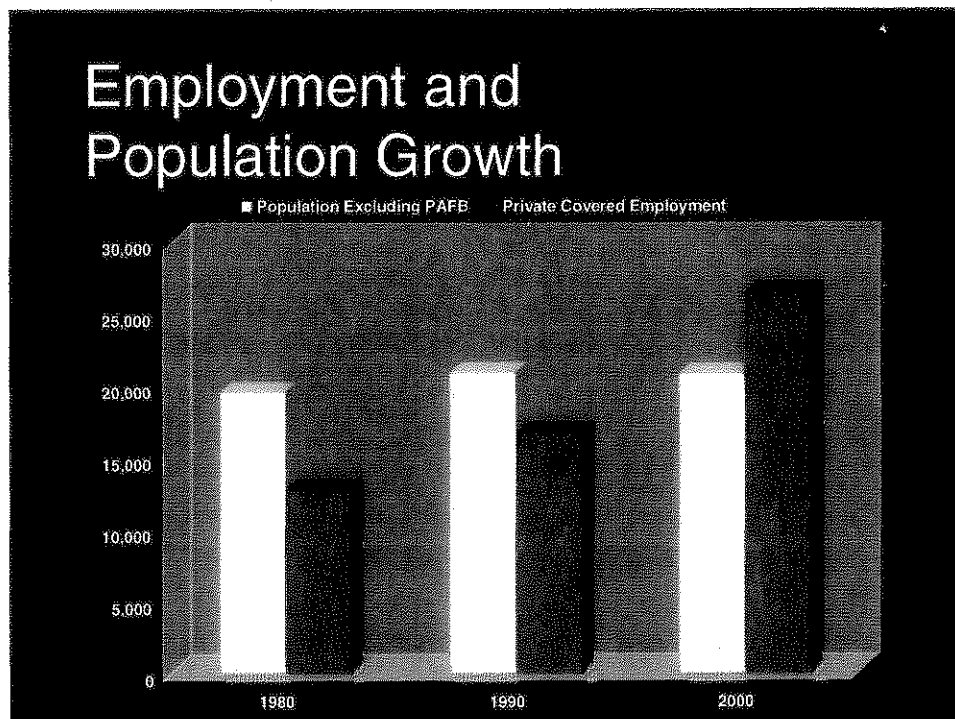
<u>Housing Development</u>	<u>Owner</u>	<u>Targeted Population</u>	<u>Number of Assisted Units</u>
Gosling Meadows	PHA	Family	124 units
Woodbury Manor	PHA	Senior	40 units
State Street	PHA	Senior	12 units
Pleasant Street	PHA	Senior	8 units
Feaster	PHA	Senior	100 units
Margeson Apartments	PHA	Senior	137 units
Wamesit Place	PHA	Family	100 units
Cottage Senior Housing	PHA	Senior	20 units
Portsmouth Apartments	Private	Senior	48 units
Keefe House	Private	Senior	58 units
Bedford Way Apartments	Private	Senior	30 units
Winchester Place Apartments	Private	Family	150 units
Osprey Landing	Private	Family	167 units
Betty's Dream	Private	Special Needs	24 units
Residential Opportunities	Private	Special Needs	12 units
Great Bay Residential Facility	Private	Special Needs	12 units
TOTAL			892 Units

In comparison to the surrounding region, the City is home to 18% of all subsidized elderly housing for Rockingham and Strafford Counties combined; 24% of the subsidized family housing in these two counties; and 52% of all special needs housing in Rockingham and Strafford.

The Housing-Employment Connection

Where people live relative to where they work plays a central role in quality of life, community involvement and impact on the transportation network. Housing supply, housing costs and the incomes of the local workforce shape where people live. The lack of a sufficient supply of local affordable housing results in increased traffic congestion from those who commute into the City from areas where more affordable housing is located. For Portsmouth, the balance between population and jobs has shifted dramatically over the last 25 years. While the City's population (excluding Pease Air Force Base) has remained relatively stable over this time, local employment has grown dramatically. In short, the employment /population situation is as follows:

- In 1980, the City's population was significantly higher than the number of Portsmouth jobs. The gap closed somewhat more in the 1990s, and by the year 2000 the number of jobs available in the City had surpassed the local population.
- Today, Portsmouth is a regional employment hub, with roughly two-thirds of the workforce commuting into the City to work.
- While the City has grown as a regional economic hub, housing in surrounding communities, has not kept pace with the demands of the growing work force.

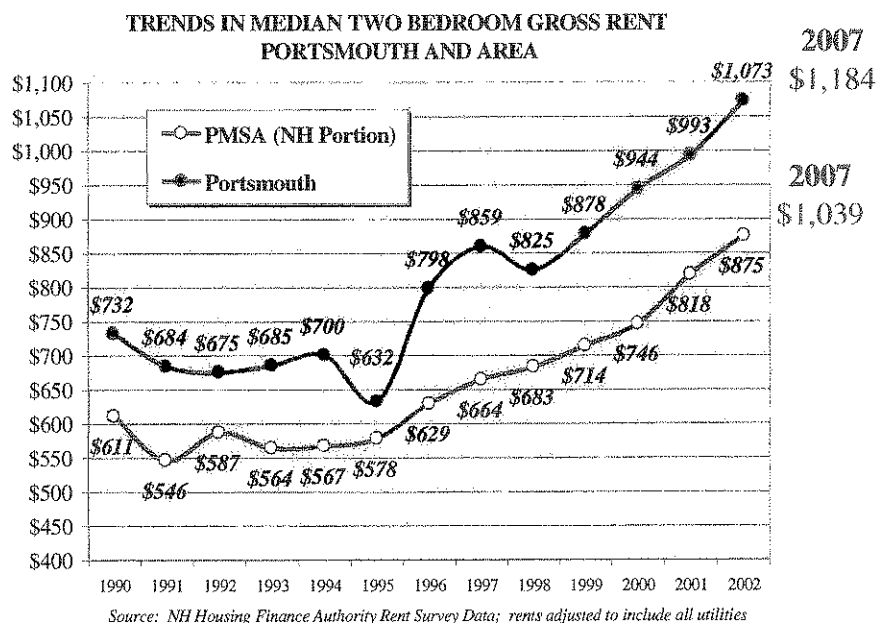


The Cost of Housing

As Portsmouth has become a more and more desirable place to live and work, demand for local housing – from those who work here and wish to live here, as well as those who have chosen to retire here – has grown dramatically in recent years. However, the number of new housing units built in the last several decades has been relatively small. This is due in large part to the very limited supply of vacant, developable land in Portsmouth; much of the City is already built out and a significant portion of the City's remaining geographic area consists of wetland systems such as the Great Bog, Berry's Bog and Packer's Bog.

Housing demand can be assessed by comparing vacancy rates, which, in Portsmouth, remain well below desirable averages. This reflects a limited supply relative to demand, and underlies the increasing housing costs that occur in a tight market. This imbalance between supply and demand has kept housing prices high for both owner-occupied and rental housing.

The median cost to rent a two bedroom apartment in Portsmouth has risen steadily since the mid-1990s. While this is also true for the state's other major cities – Concord, Manchester, Nashua and Rochester – Portsmouth's median rent is currently the highest of these at \$1,184. Concord at \$1,055 is a close second, followed by Nashua at \$1,088. Both Manchester and Rochester have comparatively more affordable rents at \$980 and \$982 respectively.



In order to assess whether housing is affordable, the price of housing needs to be compared with the incomes of local families. Such an assessment helps highlight which sectors of the community, and which income ranges, are most impacted by the cost of housing.

The table below provides median family income by family size. As the table shows, a three person family earning 100% of the median income for the area would be earning \$69,570.

Median Income by Household Size

Household Size	80% of Median Family Income	100% of Median Family Income	120% of Median Family Income
One Person	\$43,050	\$54,110	\$64,932
Two Person	\$49,200	\$61,840	\$74,208
Three Person	\$55,350	\$69,570	\$83,484
Four Person	\$61,500	\$77,300	\$92,760
Five Person	\$66,400	\$83,484	\$100,181
Six Person	\$71,350	\$89,668	\$107,602

Source: U.S. Dept of Housing and Urban Development, Median Family Income Limits, Portsmouth-Rochester HMFA, NH HUD Metro Fair Market Rent Area, 2/13/08.

Housing is generally considered affordable when it costs an owner or renter no more than 30 percent of their household income. As can be seen in the following table, a family of three earning exactly 50% of the median income would have an annual income of \$34,800. 30 percent of their monthly income would be \$870, but the median rent for a two bedroom is \$1,184 – several hundred dollars above what they could afford.

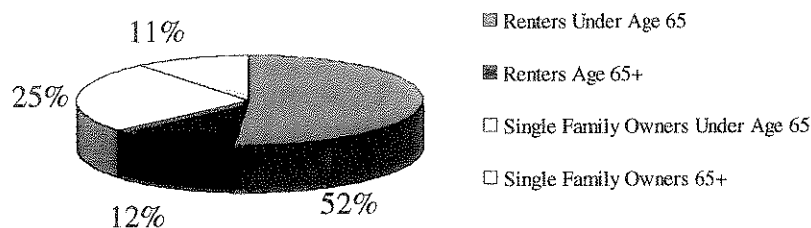
Median Family Income (family of 3)	Percent of Median Income	Affordable Rent (30% of Median Income)	Median Rent (2 bedroom apt)
\$34,800	50%	\$870	\$1,184
\$55,350	80%	\$1,384	\$1,184
\$69,570	100%	\$1,739	\$1,184
\$83,484	120%	\$2,087	\$1,184

According to the NH Housing Finance Authority's rental cost survey, if a family of three was earning 50% of the median household income within the Portsmouth-Rochester, NH HMFA in the year 2007, only 3.3% of all two bedroom rental units in the City would have been available to them at a rent they could afford; with "affordable" being defined as 30 percent of their income.

While those earning incomes at the lower ranges have limited options on the open market, subsidized housing is available to those earning less than 80% of the median area income in the City through the subsidized apartment complexes described earlier and through Section 8 housing vouchers administered by the PHA, which can be used to subsidize rents in privately owned apartments. Despite this, the Portsmouth Housing Authority waiting list, like those of many housing authorities, is very long.

While 30% is a recommended goal for housing costs as a percentage of income, many people pay more than that. As can be seen in the pie chart below, roughly half of Portsmouth residents who pay more than 35 percent of their incomes to housing costs are renters who are under age 65. As of the 2000 Census, 1,140 households paid 35% or more of their incomes to gross rent; and 649 Portsmouth homeowners spent more than 35% or more of their incomes on monthly housing costs.

Work Force Housing Gap



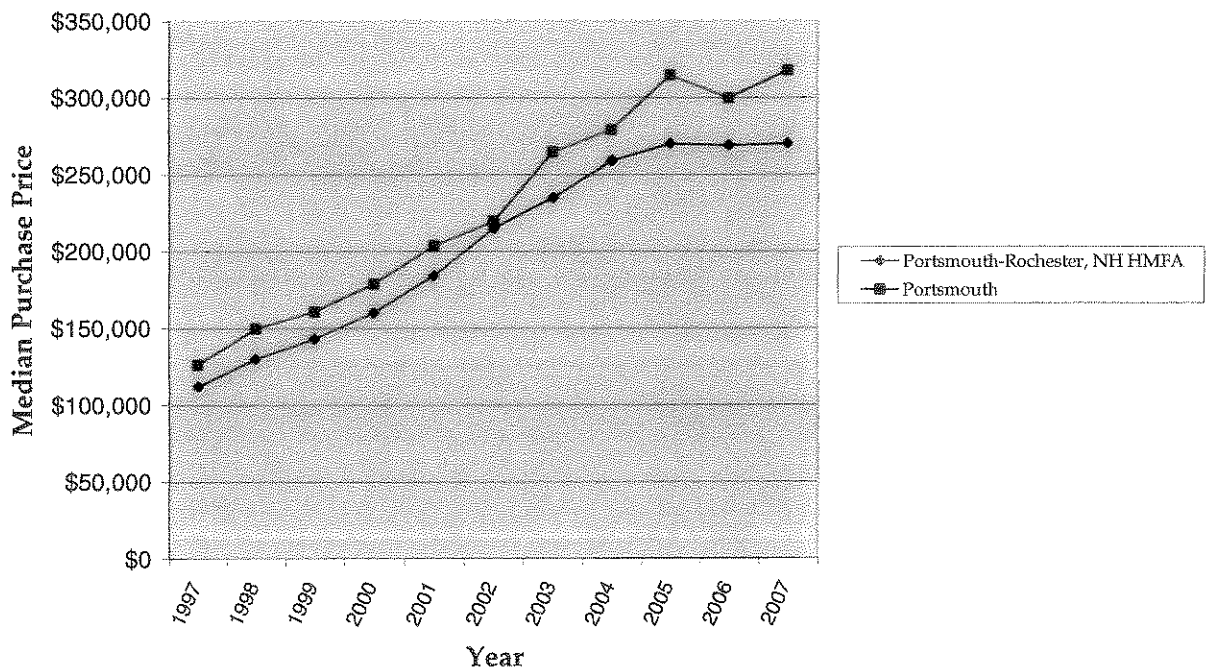
(Portsmouth Residents Paying More than 35% of Income to Housing Costs)

According to the Home Price Comparison Index released by Coldwell Banker Real Estate in fall 2007, Portsmouth ranked in the top fifty (at 47th place) most expensive housing markets in the country with an average home sale price of \$283,000.

According to the NH Housing Finance Authority, the median cost to purchase a primary home in Portsmouth is \$318,000 based on data for the first six months of 2007. This represents more than a two-fold increase from 1998 when the median home cost was \$150,000. During that ten-year period, the most significant increases were between 1997 and 1998 (+18.6%), 2002 to 2003 (+20.5%) and 2004 to 2005 (+12.7%).

The median cost to purchase a primary home in the Portsmouth-Rochester, NH HMFA also rose steadily over the last ten years with the largest percentage increases taking place between 1997 and 1998 (+15.9%), 1999 and 2000 (+11.9%) and 2001 and 2002 (+16.8%). In 1996 the median purchase price of a home in Portsmouth was \$129,900; data from the first six months of 2007 reflect a median sale price of \$270,000.

Median Purchase Price



What's Already in Place to Address Housing Affordability in Portsmouth?

Assisting First Time Homebuyers through the HomeTown Program & Portsmouth Housing Endowment Fund

In the late 1980s, the former developer of Mariner's Village (now known as Osprey Landing) agreed to make certain payments to the City in exchange for relief from certain zoning restrictions. The City received \$750,000 before that developer went bankrupt. These funds were earmarked by the City Council for a first time homebuyer program and set up in a trust fund invested by the City's Trustees of Trust Funds.

Between 1989 and 1994, the Portsmouth Housing Endowment Fund provided 54 Portsmouth families with monthly mortgage subsidies, enabling each family to purchase their first home. The Portsmouth Housing Endowment Fund Board, established and appointed by the City Council, establishes program policy and advises the City Manager and staff with regard to program operational issues.

Most of the original families assisted through the Portsmouth Housing Endowment Fund are now making installment repayments or have repaid their loans as they sold their starter homes or moved from the area. This repayment stream as well as interest earned on the corpus of the trust has enabled this significant City asset to remain an ongoing revolving loan fund.

In 1999, the program – still funded through the endowment – was renamed the HomeTown, First Time Homebuyers Program. HomeTown provides up to \$50,000 per family in downpayment and closing cost assistance to eligible households. The following eligibility criteria apply:

- an individual or family must have lived in Portsmouth for at least two years or have, in the past, resided in Portsmouth for 10 years and currently live within a 30 mile radius of the City;
- be a first time homebuyer; and
- earn an eligible income, which is up to 120% of the median area income:
 - ~ \$64,932 for a one-person family
 - ~ \$74,208 two person family
 - ~ \$83,484 for a three person family

Full-time City of Portsmouth employees who meet income requirements are also eligible to apply. All successful applicants must attend a homebuyer education course.

Over the course of the last nine years, thirty-one families have been provided with downpayment and closing cost assistance totaling more than \$1 million. HomeTown has enabled both individuals and families to buy their first home, ranging from single family ranches to condominiums. Those assisted through the program have included people employed in the service sector as well as educators and employees of local non-profit agencies. In addition to the downpayment and closing cost assistance, HomeTown participants benefit from reduced rate first mortgage financing from the NH Housing Finance Authority and Citizens Bank.

The City's Community Development Department administers the endowment-funded HomeTown program. Specifically, City staff assist applicants with the application and loan closing process, oversee the loan portfolio, develop program guidelines, refer ineligible applicants to other resources, and work with partner lending agencies such as the NH Housing Finance Authority and Citizens Bank as well as organizations that provide homebuyer education such as The Housing Partnership.

While assisting first time homebuyers is challenging in the Portsmouth housing market because of high housing prices, the HomeTown Program is often able to fund the gap between what people can afford and the selling price of homes.

Temporary Assistance to Homeowners in Need Through the Portsmouth Special Needs Fund

Portsmouth's Special Needs Fund assists low and moderate income Portsmouth homeowners who are temporarily unable to afford their mortgage payments due to circumstances beyond their control. This program, initially funded through a grant from the Greater Piscataqua Community Foundation, is administered by the City's Community Development and Welfare Departments. Ten Portsmouth families have been assisted through this program since its initiation in 1992.

The goal of the program is to provide a level of assistance that will allow a family the opportunity to stabilize their financial resources, while protecting the equity they have accumulated in their home. Assistance is provided in those situations where there is likelihood that this goal will be attained. The program operates as a revolving loan fund with most of those assisted having been able to repay the assistance they received.

Providing Housing for Special Needs

Betty's Dream



The Betty's Dream Foundation is a private non-profit foundation formed in 1979 to develop barrier free housing and independent living for individuals who are physically disabled. Federal financing through Section 202 of the National Housing Act was obtained to finance the original construction of the Betty's Dream housing development on Longmeadow Lane. The facility opened in 1985 and has been fully occupied since that time. It is unique in NH as there are no other similar apartment complexes in the State. The facility consists of 24 small one-bedroom apartments (540 square feet), a community room, an exercise room, laundry room and small office. In addition to the federal Section 202 financing subsidy, the facility receives Section 8 Housing Assistance payments to subsidize tenants' rents.

In 2005, Betty's Dream under went an extensive \$4.3 million renovation, which included replacement of the roof, upgrades to heating and mechanical systems, renovation of the kitchens and bathrooms in each unit, and other safety and accessibility improvements. The City partnered with Betty's Dream on this project by providing \$180,000 in Community Development Block Grant (CDBG) loans and grants. Prior to this major upgrade of the facility, the City provided funding for various code improvements in the apartments through its CDBG-funded Housing Rehab Program.

Residential Accessibility Program

This CDBG-funded grant program was initiated in 1989 to assist residents with disabilities and limited financial means to remain living independently in their own homes. Between 1989 and today approximately \$575,000 in grant funding has been provided to 65 homeowners through this program. Typical accessibility improvements include widening doorways, constructing ramps, installing lifts, and making bathrooms accessible. To be eligible, an individual must be a Portsmouth homeowner and must earn less than 80 percent of the median area income.

Disabled Tax Exemption

Pursuant to NH RSA 72:37-b, the City provides an exemption off the assessed property value for taxpayers who are disabled and earn incomes below certain specified levels. Under the City Council resolution adopted this year, the eligible income limits are \$31,640 for a single person and \$39,030 for a married couple.

Developing New Affordable Housing

Introduction

Low Income Housing Tax Credits (LIHTC), created through the Tax Reform Act of 1986, are the primary mechanism currently in use to stimulate the production of assisted rental housing. These tax credits provide incentives for the utilization of private equity in the development of affordable housing targeted to families who earn low incomes. Tax credit equity serves as the basis of the majority of affordable rental production in NH, generating on average two-thirds of total project costs. LIHTC tax credits are awarded twice annually via a competitive application process through the NH Housing Finance Authority.

The Federal Home Loan Bank (FHLB) of Boston, which is cooperatively owned by more than 450 New England financial institutions, has a mission to facilitate and enhance the availability of credit for housing and economic growth, including the housing finance and neighborhood development needs of families earning low or moderate incomes. Through its Affordable Housing Program, the FHLB uses a portion of its net earnings to award grants through a competitive application process to support low and moderate income housing initiatives.

U.S. Housing and Urban Development oversees a number of funding sources, including Community Development Block Grant (CDBG) and HOME funds, which are often used in combination with LIHTC and FHLB funding for affordable housing initiatives. CDBG funds, which come to the City of Portsmouth annually through a federal allocation formula, have provided critical funding for various housing projects in the City. While the federal government doesn't allow CDBG funds to be used for the development of new housing, CDBG funds can be used for renovation of existing structures that will be redeveloped for housing, or to acquire land for an affordable housing project.

Financing for the development of affordable housing is typically accomplished through a partnership of the various public-private funding sources outlined above. The complexities involved in assembling these financing packages often require very specialized assistance from entities such as the Northern New England Housing Investment Fund, which is a private, non-profit 501(c)(3) corporation that provides equity capital for affordable housing developments receiving Low Income Housing Tax Credits in NH and Maine.

Below are examples of local affordable housing initiatives that have utilized the type of financing described above and resulted in the development of new affordable housing in Portsmouth in recent years.

Osprey Landing

During the 1990s, the City partnered with the NH Housing Finance Authority, U.S. Housing and Urban Development and a private developer to redevelop the 600-unit housing development known as Mariner's Village. At the time, the owner of Mariner's Village had fallen into bankruptcy and the development consisted of extremely substandard apartments. Many apartments were vacant, vandalized and deteriorated; the balance were primarily home to seniors on fixed incomes and single parent families.

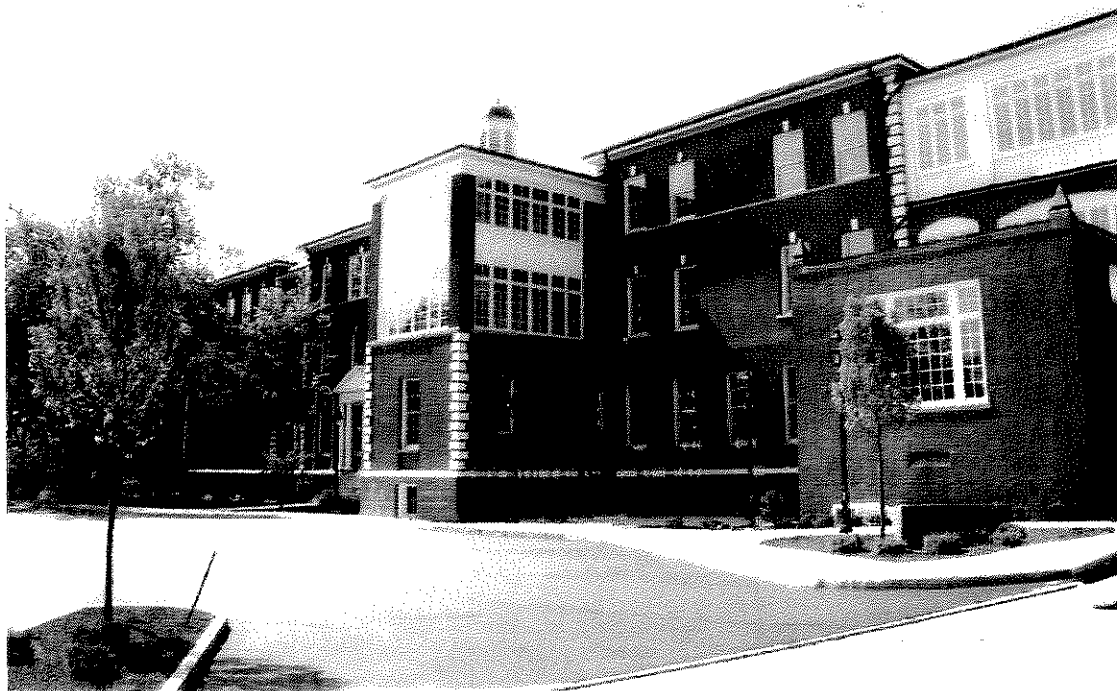


The City played a significant role in transforming this extremely dilapidated, substandard housing into an attractive, nationally recognized, mixed income neighborhood now known as Osprey Landing. This major public-private housing redevelopment project was the result of a \$24 million financing package that pooled:

- \$1.3 million in CDBG dollars allocated from the City's annual entitlement grant from U.S. Housing and Urban Development;
- Low Income Housing Tax Credits (LIHTC);
- Federal HOME funds; and
- funds from the NH Housing Finance Authority.

The Osprey Landing redevelopment effort resulted in the construction of 329 new townhouse apartments, 167 of which are available for households earning low or moderate incomes (less than 80% of median area income). In 1997, Osprey Landing received the John J. Gunther "Best Practice Award" from U.S. Housing and Urban Development.

Cottage Senior Housing



In 2003, the City worked in partnership with the Portsmouth Housing Authority (PHA) to renovate the historic City-owned hospital building, also known as the 1895 building, to become 20 units of affordable senior housing. The building, located adjacent to the City Hall complex, had significant deferred maintenance issues, having been vacant for 20 years. During that time, various re-use options were considered, however, none proved feasible and/or cost effective. The \$3 million redevelopment project was funded through a number of sources including HUD HOME funds and a \$310,000 grant from the Federal Home Loan Bank. Equity for the project came from the sale of low income housing tax credits as well as federal historic tax credits.

City involvement in the Cottage Senior Housing project included a long term (99-year) lease of the building and \$150,000 in Community Development Block Grant (CDBG) funding. The Cottage Senior Housing facility was completed in July 2004, creating a first class senior housing facility, which meets the needs of the City's senior citizens and complements the adjacent municipal complex and neighborhood.

Lafayette School Redevelopment



In September 2007, the City entered into an option to lease the Lafayette School to the Portsmouth Housing Authority for redevelopment as 10 units of senior housing for persons 62 years of age and older. The historic Lafayette School, built in 1914-1915, has been vacant for roughly ten years and is in need of substantial repair. Redevelopment of this building is consistent with the City's goal of successfully re-using vacant City buildings as well as the City's goal of creating additional affordable housing. The intent is for the City to provide a long-term (99 year) ground lease to the PHA. A key source of funding for the redevelopment of the Lafayette School will be federal Low Income Housing Tax Credits (LIHTC).

This housing, assuming the PHA's LIHTC application to NH Housing Finance Authority is successful, will be targeted to tenants earning 60% or less of the median area income. Additional project funding includes \$150,000 in City Community Development Block Grant (CDBG) funds and a grant from the Federal Home Loan Bank.

Affordable Housing Challenge Grant

At the urging of The Housing Partnership, Community Development Block Grant (CDBG) funds have been earmarked in the City's CDBG budget each year for the past nine years for an Affordable Housing Challenge Grant. These grant funds are available to local non-profit housing developers with significant prior housing development experience involving multiple HUD funding sources. The funds are provided for the purpose of leveraging funding (such as Low Income Housing Tax Credits or Federal Home Loan Bank funds) to create additional, permanent affordable housing in the City.

Eligible housing projects include the purchase and/or rehabilitation of existing buildings for development as multi-family, single family or single-room occupancy (SRO) affordable housing. Both rental and owner-occupied affordable housing projects are eligible. Grant funds may finance the rehabilitation of existing buildings or the acquisition of land in Portsmouth. However, per federal requirements, costs for the construction of new housing are not eligible. Over half the housing units developed must be affordable to families earning less than 80% of the median area income.

A total of \$25,000 is currently available through the Affordable Housing Challenge Grant program. While organizations such as The Housing Partnership have expressed interest over the years in utilizing these funds, no grant applications have been received by the City to date.

Regulatory Approaches to the Creation of Affordable Housing

Inclusionary Zoning

NH RSA 674:21 Innovative Land Use Controls explicitly authorizes "inclusionary zoning" without requiring it. The statute defines "inclusionary zoning" as *land use control regulations which provide a voluntary incentive or benefit to a property owner in order to induce the property owner to produce housing units which are affordable to persons or families of low or moderate income*. Under the statute, inclusionary zoning includes, but is not limited to, *density bonuses, growth control exemptions, and a streamlined application process*.

Last year, at the recommendation of the Planning Board, the Portsmouth City Council adopted an inclusionary zoning ordinance known as the Residential Density Incentive Planned Unit Development Ordinance (RDI-PUD). The RDI-PUD provides a density bonus in exchange for the provision of housing that would be available for sale or rental at below-market prices. The intent of the ordinance, which is applicable to the City's General Residence A and General Residence B zoning districts, is to facilitate the development of housing that would be affordable to families earning incomes at or below 120 percent of the median area income.

In order to assist communities that do not have the professional staff resources that Portsmouth does, the NH Housing Finance Authority (NHHFA) recently launched the Inclusionary Zoning Implementation Program (IZIP). IZIP will provide grants to communities through a competitive application process to assist them in creating and adopting inclusionary zoning ordinances. NHHFA will also provide grant recipients with technical assistance in the economic analysis of proposed inclusionary zoning ordinances as well as public education strategies regarding the need for affordable workforce housing.

Retaining Affordable Housing

A number of programs, including several administered by the City, work to keep families who are struggling with housing affordability issues in homes they already own. These are described below.

Housing Rehab Program

The City's CDBG-funded Housing Rehab Program, administered by the Portsmouth Community Development Department, was initiated in 1977. Over the course of the last 30 years, it has funded millions of dollars in home repairs through low interest and deferred loans in the homes of Portsmouth residents earning less than 80% of the median area income. Housing Rehab funds are typically used to replace furnaces, repair roofs, replace windows, and upgrade electrical and plumbing systems. The program operates as a revolving loan fund so that as funds are repaid in monthly installments or at the time the home is sold, they may again be used to assist additional eligible homeowners.

Elderly Tax Exemption

Pursuant to NH RSA 72:39-b, the City provides an exemption off the assessed property value for taxpayers who are over age 65 and earn incomes below certain specified levels. Under the City Council resolution adopted this year, the eligible income limits are \$31,640 for a single person and \$39,030 for a married couple.

Expiring Section 8 Housing Developments

Decades ago, the U.S. Department of Housing and Urban Development (HUD) financed a number of local private housing developments through programs such as Section 236. These federal programs provided mortgage interest rate subsidies to a development's owner and, in return, allowed the owner to charge below market rents, essentially rent subsidies, to families earning less than 80% of the median area income. The owners of these developments have the option to pre-pay their HUD-subsidized mortgages and "opt out" of the Section 8 program, resulting in the loss of rent subsidies to the low and moderate income families that reside there.

In 2001, the private owner of the 150 unit apartment complex then known as Ledgewood Manor (now Winchester Place), which was financed under HUD's Section 236 program, indicated their desire to opt out of the Section 8 rent subsidy program. The City and the Portsmouth Housing Authority (PHA) worked together to obtain "enhanced" Section 8 vouchers from HUD, which resulted in eligible families living there to continue to receive subsidized rents, while the private owner effectively received market rate rents. Through the "enhanced" Section 8 vouchers, HUD essentially pays the difference between what families earning less than 80% of the median area income can afford, and the fair market rate that the private owner of the housing complex could receive.

A similar situation occurred in 1989 when the private owners of the 100 apartments at Wamesit Place decided to "opt-out" by pre-paying their HUD subsidized mortgage and selling the apartment complex. PHA Housing Corporation purchased the privately owned housing complex so that these 100 subsidized units could be retained. The City provided \$300,000 in Community Development Block Grant funds to assist the PHA in their purchase of the property.

Who are the City of Portsmouth's Housing Partners?

Portsmouth Housing Authority

The City has worked with the Portsmouth Housing Authority in recent years to develop two new affordable senior housing projects – Cottage Senior Housing (20 apartments) and Lafayette School, which is currently in development. The City-PHA partnership has also included working together to retain affordable housing stock in the City through CDBG funding that assisted the PHA to purchase Wamesit Place, and the initiation of enhanced Section 8 housing vouchers for Ledgewood Manor Apartments (now Winchester Place). In addition, the City has partnered with PHA to make CDBG-funded playground and building improvements at the Authority's various family and senior housing developments.

The Housing Partnership

The City has an ongoing relationship with The Housing Partnership, a 501(c)(3) non-profit affordable housing developer whose mission is to strengthen communities by providing quality affordable housing for low and moderate income residents of the Greater Seacoast Region. For example, the City worked closely with The Housing Partnership to develop the inclusionary Residential Density Incentive Planned Unit Development zoning ordinance. In addition, the City partners with The Housing Partnership on homebuyer education for first time homebuyers that participate in the City's HomeTown Program. In 2001, the City also provided a loan to The Housing Partnership from the CDBG-funded Portsmouth Non-Profit Loan Program for upgrades to their administrative offices.

Workforce Housing Coalition

The City is a member of the Workforce Housing Coalition, whose mission is to act as a catalyst for the development of a range of housing options for the Greater Seacoast region's diverse workforce through a coalition of businesses, government and community groups.

NH Housing Finance Authority & Citizens Bank

The City's HomeTown, First Time Homebuyers Program partners with various lenders to provide additional assistance to first time homebuyers – HomeTown homebuyers benefit from reduced rate first mortgage financing from the New Hampshire Housing Finance Authority and Citizens Bank as well as in-depth assistance from a Citizens Bank loan officer.

Northern New England Housing Investment Fund

The Northern New England Housing Investment Fund is a private, non-profit 501(c)(3) corporation that provides equity capital for affordable housing developments receiving Low Income Housing Tax Credits in NH and Maine. They also provide technical assistance and consulting to affordable housing developers. The City and PHA have worked successfully with them on the financing for the Cottage Senior Housing and Lafayette School redevelopment projects.

State of New Hampshire

City staff monitor various legislation that is put forward in Concord regarding affordable housing and, where appropriate, provide input to the state. In December of last year, Community Development and Planning staff, as well as the Chair and Vice Chair of the Planning Board and the Executive Director of The Housing Partnership,

participated in an Economic Development Commission meeting focused on housing and attended by House Speaker Norelli.

U.S. Housing and Urban Development

As indicated earlier in this document, U.S. Housing and Urban Development (HUD) is the key federal agency with regard to national housing policy and funding. The City's Community Development Department administers Community Development Block Grant (CDBG) funds, which are provided to the City by HUD on a formula basis each year. These funds may be used for a variety of federally eligible housing activities that benefit residents earning less than 80% of the median area income. Over the course of the last seven years, the City has spent roughly one-quarter of its CDBG funding on housing programs.

What Else Can be Done to Address Affordable Housing Issues?

Additional Resources

The affordability of housing was a significant issue considered during the development of the City's Master Plan, which was adopted in March 2005. The Master Plan consists of two reports: one is an Existing Conditions and Trends Report, which includes a chapter on Housing and the second consists of housing goals, objectives and implementation strategies.

In order to develop its recommended housing goals and strategies, the Planning Board solicited broad input from the community during the development of the Master Plan. This included the Portsmouth Listens study circles, which prepared and submitted to the City a report on housing as well as housing recommendations. In addition, the Planning Board held work sessions with the Portsmouth Housing Authority, The Housing Partnership and other housing partners, to obtain their input. The Master Plan includes a chapter on goals and strategies for addressing the housing issue.

The lack of affordable housing has long been a significant issue at the national level, as well as in rural and urban areas in NH, particularly the southernmost counties. As a result, much information exists regarding successful case studies and models for addressing housing affordability. City staff have compiled a large notebook containing some of these approaches, which may be of interest to the *Blue Ribbon Committee on Housing* as it carries out its work.

In October 2004, the NH Housing Finance Authority, Northern New England Housing Investment Fund and Fannie Mae prepared a report titled *Housing Solutions for New Hampshire*. The report provides valuable information and context with regard to housing affordability. However, it should be noted that many of the housing solutions contained in the report are more applicable to rural NH communities; unlike Portsmouth, rural towns have developable land that can more easily assist the creation of new affordable housing, whereas Portsmouth has very little vacant developable land left.

Unmet Needs

Knowing which sectors of the community and which income ranges are most impacted by the cost of housing, and what resources may or may not be available to assist them, is essential. As stated in earlier sections of this report, a significant proportion of Portsmouth's housing stock – roughly 12 percent of all its housing stock – is subsidized, which means it is available to those earning less than 80% of the median area income. This is good affordability news for seniors or families who wish to rent and who earn less than 80% of the median area income – which is \$55,350 for a family of three. However, for those earning between 80% and 120% of median area income – which is \$55,351 to \$83,484 for a family of three – rental subsidies aren't available.

Those who wish to purchase a home, rather than rent, also face a steep challenge given the high cost of housing relative to local incomes; there are essentially no federally funded homeownership programs for those earning more than 80% of the median area income. Portsmouth is, however, very fortunate to have the privately-funded Portsmouth Housing Endowment Fund, which enables the City to provide deep subsidies to first time buyers earning up to 120% of the median area income through the City's First Time Homebuyers Program known as HomeTown.

Perhaps the issue of whose housing needs are currently left unmet is best summarized as stated in the City's 2005 Master Plan:

"The challenge for Portsmouth in coming years is to provide housing opportunities for its middle class, those who are being squeezed by rising housing costs but are not eligible for subsidized housing."

As indicated in the introduction to this report, the information contained here is intended to provide the *Blue Ribbon Committee on Housing* with background material about Portsmouth's existing housing stock as well as affordable housing programs already in place in the City. The intent is that this information provides a starting place for the development of the affordable housing road map to be developed by the Committee. Hopefully, this document will be useful to the Committee in carrying out the charges given it by the City Council.