

DRAFT #2

**Workforce Housing for Durham
An Assessment of the Current Housing Situation**

Working Paper

Durham, New Hampshire

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Submitted To:

Workforce Housing Committee
Durham, New Hampshire

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Workforce Housing—The State Perspective

In 1991 the New Hampshire Supreme Court issued a far reaching decision in support of affordable housing. In the case of *Britton v. Town of Chester*, the court determined that the state's existing planning enabling statutes essentially said that each community in the state should provide an opportunity for the development of housing that is affordable to low and moderate income households (RSA 672:1, III-e).

While there were numerous legislative and policy efforts to solidify this decision or to provide programs to encourage development of workforce housing since 1991, it wasn't until the 2007-08 legislative session that a bill was passed to codify the *Britton* decision. This legislation, SB 342, was codified as RSA 674:58-6 and went into effect on January 1, 2010. This workforce housing law requires all New Hampshire municipalities to provide "reasonable and realistic opportunities" for the development of workforce housing. The legislation also provides for an accelerated appeals period should a developer seek a remedy to an adverse decision by a local planning board. **A summary of this legislation is included as Exhibit A attached.**

Workforce Housing—The Durham Perspective

During the period after the 1991 decision, the Town of Durham has made incremental strides toward providing opportunity for affordable housing. It has adopted a Conservation Subdivision option for large subdivisions that allows for a reduction in lot size from the standard lot based in the district where it is proposed. The Town also adopted two zoning districts that allow for multi-dwelling units—the Multi-Unit Office and Research (MUDOR) Zone and the Office Research/Light Industry (ORLI) Zone. Finally, the ordinance allows for accessory apartments (in most zones where residential is an allowed use) and accessory dwelling units (limited to certain residential zones) related to any single family dwelling unit.

The 2000 Durham Master Plan also provides a strong policy basis for accommodating workforce housing in the Guiding Principles and Goals section and the Demographics, Housing and Growth Management Section. These are summarized below.

Current Durham Approach to Accommodating Workforce Housing

Durham is approaching the issue of affordable/workforce housing from two perspectives:

- Participating in the Inclusionary Housing Implementation Program (IZIP) through a grant with New Hampshire Housing to come up with revisions to the Zoning Ordinance to provide for inclusionary housing.
- Updating its Master Plan which will provide further opportunity to analyze the current housing situation and provide recommendations to encourage realistic opportunities for affordable housing, and

The 2000 Master Plan

The currently proposed Durham Master Plan encourages a broad range of housing types including affordable housing through its guiding principles and recommendations for implementation. These do not expressly address workforce housing, but do encourage diverse and affordable housing.

Guiding Principle for Growth

Manage and guide the Town's residential growth so that the following principles are met: growth occurs at a rate that the Town and the school system can sustain, growth occurs in locations for efficient service, developments are diverse in type and cost and developments are designed with principles of open space and human interaction. p. xiv

Housing Vision

The overall vision for housing is to maintain the quality of Durham's existing housing stock, promote the provision of affordable housing for local residents, and continue to encourage healthful, safe, convenient, and attractive neighborhoods for all residents. P. 1.15

Durham has traditionally provided a diverse mix of housing types to accommodate both the University and the general community. Single-family developments represent approximately 62% of the total housing stock in Durham. Multi-unit housing accounts for 38% of total housing units with UNH students occupying much of this multi-unit housing.

Relevant Housing Goals and Recommendations

The Durham Master Plan proposes several housing goals, objectives and recommendations that are relevant to developing affordable and workforce housing.

Multi-Unit Housing

Goal 1: Encourage a variety of multi-unit housing that serves the needs of the community and minimizes impact on town services.

Objective: Encourage construction of units with few bedrooms per unit in new multiunit developments.

Relevant Recommendation:

1. After examining each zoning district individually, modify the Zoning Ordinance to control density through the total number of bedrooms or habitable rooms per acre instead of total units per acre.

Goal 2: Allow for an adequate supply of private-sector based, multi-unit housing in Durham while minimizing the negative impacts on the community that are often associated with multi-unit housing occupied by students.

Relevant Recommendation:

1. Identify desirable locations for new private-sector based, multi-unit housing in Durham. Locations should be near the UNH campus and provide adequate buffers from other residential areas.

Affordable Housing

Goal: Provide an adequate supply of affordable housing in Durham, proportionate to affordable housing demand in the region.

Relevant Recommendation

1. Ensure Zoning provisions, such as density requirements, do not prevent affordable housing.
2. Support the creation of a non-profit housing trust to construct housing developments that provide affordable housing.
3. The Town should work with the New Hampshire Housing Finance Authority, or other similar agencies, to assist residents with limited financial means in obtaining decent, affordable housing. These agencies can also help the Town with programs that will encourage a mix of housing values in Durham.
4. Consider incentives, possibly through zoning density bonuses or other flexible means, to builders to include limited numbers of affordable housing units as part of a larger housing development.

Durham's Current Population Trends/Projections—Moderate Growth from 1980 through Present

Population Trends—Durham Grew at a little over 1% Per Year—1990 to 2005

- Between 1980 and 2007, Durham's population grew by 28.5 percent—a little more than 1% per year—from 10,652 to 13,985 while the remainder of Strafford County grew more rapidly at 38.9 percent. **See Table 1.** The adjacent communities of Lee and Madbury grew more rapidly from 1980-1990, but were more similar to Durham's growth rate from 1990 to 2007.
- The population in Durham was 12,644 in 2000 and 13,985 in 2007 (NH Office of Energy and Planning estimate), a 10.4% increase.

Table 1. Population Trends

Population Trends 1980-2007							
Town - Year	1980	1990	% Increase 1980-90	2000	% Increase 1990-2000	2007	% Increase 2000-2007
Durham	10,652	11,818	10.9%	12,664	7.2%	13,985	10.4%
Lee	2,111	3,729	76.6%	4,145	11.2%	4,412	6.4%
Madbury	987	1,404	42.4%	1,509	7.8%	1,765	17.0%
Strafford County	85,408	104,233	22.0%	112,223	7.7%	122,504	9.2%

Source: 2000 U.S. Census & NH OEP

Population Projections—Durham Expected to Grow Another 16% by 2030

Durham’s population will reach 16,100 by the year 2030 (NH OEP estimate)—a potential population increase of 2,260 or slightly more than 16% from the estimated NH OEP 2010 figure for Durham. **See Table 2.**

Nearby towns are expected to have a similar growth rate although the overall numbers will not be as much as Durham’s. Meanwhile Strafford County is expected to grow by approximately 18,400 or almost 15%.

Table 2. Population Projections, 2015-2030

Town - Year	2010	2015	2020	2025	2030	Increase 2010-2030	% Increase 2010-2030
Durham	13,840	14,480	15,070	15,630	16,100	2,260	16.3%
Lee	4,580	4,830	5,080	5,310	5,510	930	20.3%
Madbury	1,800	1,880	1,950	2,020	2,080	280	15.6%
Strafford County	124,490	129,500	134,210	138,930	142,890	18,400	14.8%

Source: 2000 U.S. Census & NH OEP

Housing Trends—Primarily Single Family Residential with Recent Spike in Multi-Family

Housing Unit Trends—Predominantly Single Family

As of 2000 Durham had 2,923 total housing units. Of these, almost 60% were single-family and the remainder was multifamily—40 percent, a much higher percentage than either the surrounding towns or the county. **See Table 3.** The surrounding communities of Madbury and Lee had even higher percentages of single family units, although there were more mobile homes in each community. Strafford County as a whole had a lower percentage of single family units

Table 3. Housing Units, 2000

Towns	Single Family		Multi-Family		Mobile Homes & Other		Total
	Number	%	Number	%	Number	%	Number
Durham	1,747	59.8	1,176	40.2	0	0	2,923
Lee	1,013	66	351	22.9	170	11.1	1,534
Madbury	363	66.9	108	19.9	72	13.3	543
Strafford County	25,095	55.1	15,355	33.7	5,089	11.2	45,539

Source: 2000 U.S. Census

Historically, Durham’s predominant housing type has been single family dwellings and this trend grew from 2000 to 2006 as the Town’s primary source of housing. Of the 2,923 total units, 1,628 were owner occupied, 1,254 were renter occupied and 41 were vacant units. By 2006, 68 percent of Durham’s total housing units were single family dwellings and almost 26% percent were multi-family with only 6.1percent mobile home units. During the period of 2000-2006, the percentage of single-family dwellings increased significantly, while the percentage of multi-family decreased.

More Recent Housing Trends—Mix of Single Family and Multi-Family

Durham’s most recent building permit records (2008) as shown in **Table 4** indicate that single family home growth has not risen substantially since 2005. In 2005, there were only 27 building permits issued for residential developments—25 for single family and two (2) for multifamily units. In 2006, 29 building permits for residential units were issued. Even with the downward trend in residential construction, the type of housing is still predominantly single family detached units. There was a multi-family spike in 2007 and 2008 as the result of several approved projects.

Building Permits

Table 4. Building Permits Issued, 2000-2008

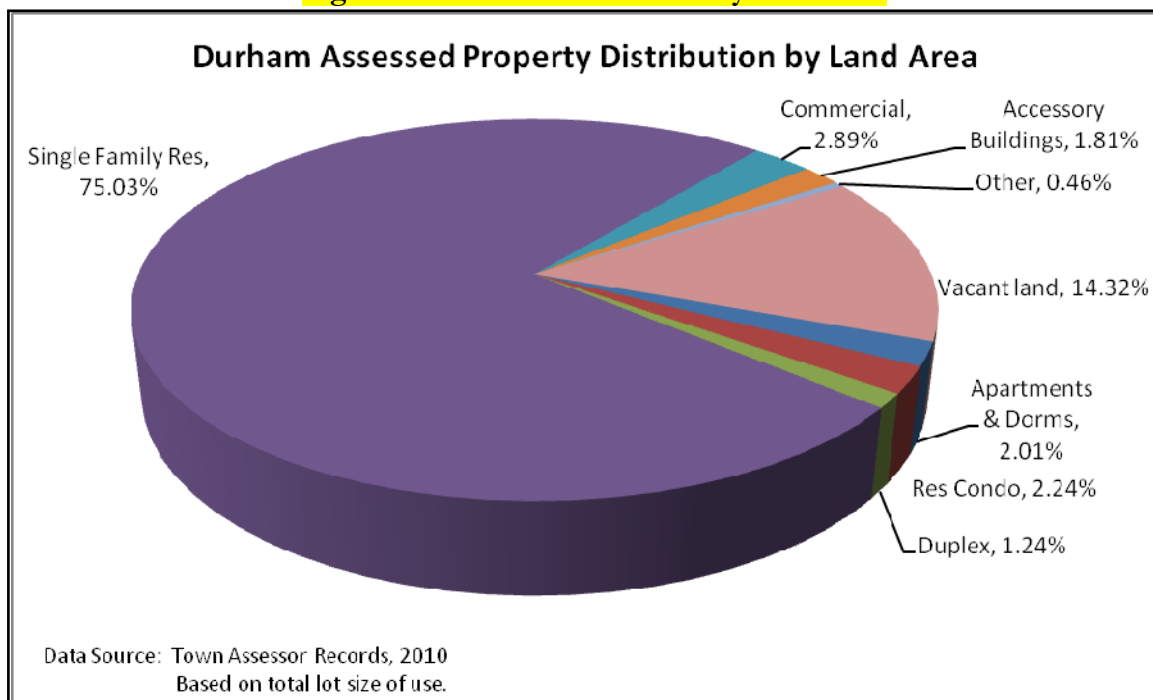
Housing Type	2000 Census	2000	2001	2002	2003	2004	2005	2006	2007	2008	Tot. Est. Units	% Change
Single Family	1747	17	21	10	12	15	13	8	2	2	1847	5.7%
Multi-Family	1176	7	43	115	31	10	12	4	20	55	1455	23.7%
Mobile Home	0	0	0	0	0	4	0	0	4	0	4	
Total	2923	24	64	125	43	29	25	12	26	57	3306	

Source: NH OEP

Land Use Distribution—Weighted to Single Family

Based on Durham’s distribution of land use based on the current assessor records, single-family residential occupies the greatest land area at 75% while duplexes, apartment/dormitories and residential condominiums combined only use 5.5% of Durham’s land area. See **Figure 1**.

Figure 1: Land Use Allocation by Land Use



Note that while the assessor records track land use, the records based on the total lot area, not just the area occupied by the use itself. Thus, a five-acre lot with a single dwelling is recorded as 5 acres of Single Family Residential.

Housing Tenure

While most of Durham’s residents live in owner occupied homes (1628) based on 2000 Census data, there are a large number of renters (1254) as shown in **Figure 2**. There is a very low percentage of vacant units, suggesting a very high demand for both owner and rental housing.

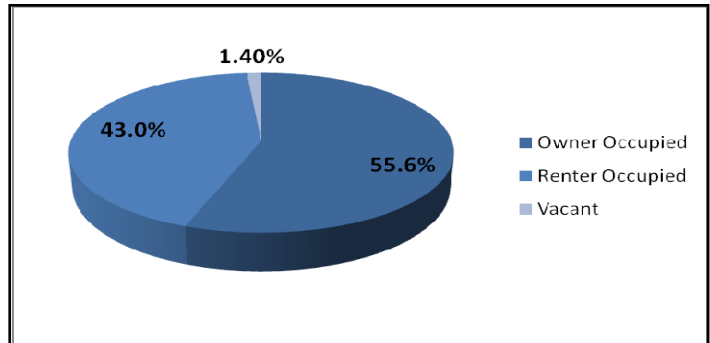


Figure 2. Durham Housing Tenure, 2000

By contrast Stafford County has a much higher percentage of owner occupied residences—64.5%—as shown in **Figure 3**. It also has a much higher vacancy rate.

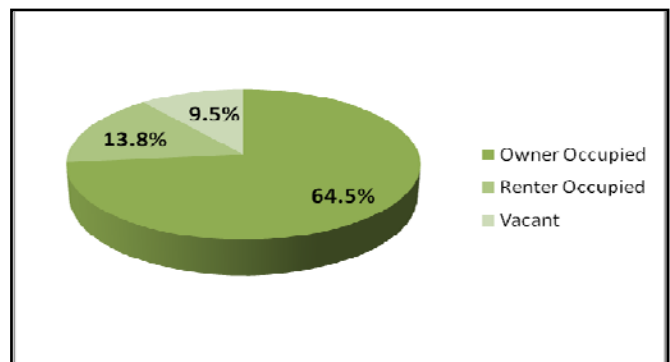
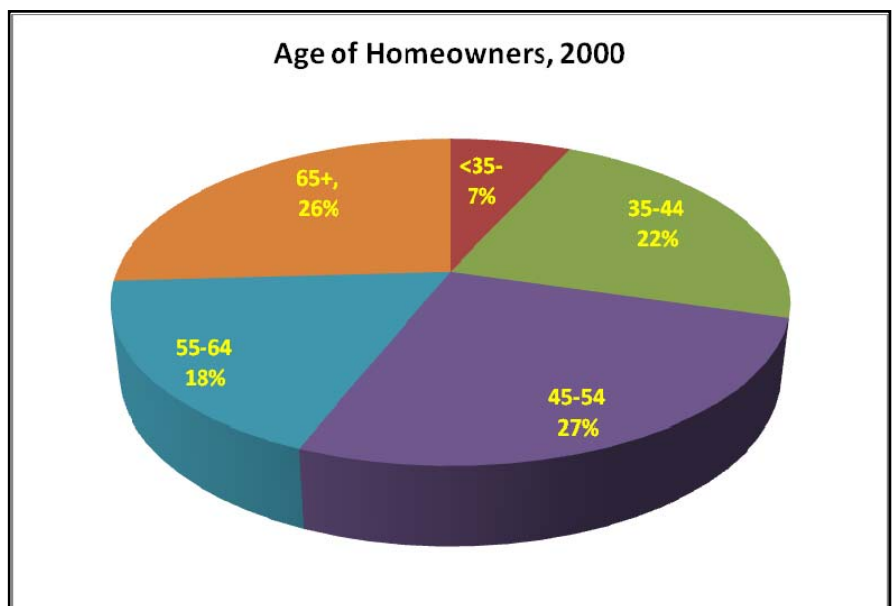


Figure 3. Stafford County Housing Tenure, 2000

Homeowner Characteristics by Age—Younger Workers are Small Percentage of Ownership

Of Durham’s 1,628 resident homeowners in 2000, only 29% percent (481 units) were under the age of 45 while more than 70% were over age 45 and of those 26% (421 units) are over age 65. See **Figure 4**. On the other hand, the percentage of homeowners under the age of 35 was just 7%. This very low percentage indicates the lack of ability of younger workers and couples to afford a home due to the increases in the purchase prices of new homes in recent years.



Source: 2000 U.S. Census

Figure 4. Age of Durham Homeowners

By contrast Strafford County as a whole provides a generally greater opportunity for housing for younger families with 21% of homeowners less than 35 and 29% between the ages of 35 and 44, 22% between the ages of 45 and 54 and 28% 55 and over.

Household Income by Tenure—Renters Have More Limited Opportunities than Home Owners

The following table provides an illustration of how income levels vary according to housing type. Durham has almost 44% of its housing stock in rental units—a significant number compared surrounding communities such as Lee and Madbury where renter occupied housing is less than 25%. However, while there are a significant number of rental units, it is clear that there is a substantial gap between the median household incomes between owners and renters. It is apparent that those who dwell in renter occupied housing units have less opportunity for a range of housing than those who dwell in owner occupied housing units. As shown in the table below, there are only a limited number of renter occupied units where household income exceeds \$75,000.

Table 5. Household Income by Ownership Type in Durham, 1999

Income Levels	Total Occupied Housing Units	Owner Occupied Housing Units	Renter Occupied Housing Units
Up to \$25,000	843	121	723
\$25,000-\$50,000	521	222	299
\$50,000-\$75,000	466	314	152
\$75,000-\$100,000	374	330	44
\$100,000-\$150,000	384	358	26
\$150,000 +	294	282	12
Total	2882	1627	1255
Median Household Income	\$52,139	\$84,718	\$21,306

Source: Census 2000, SF3, Table HCT11, Table HCT12

The following figure illustrates the preponderance of relatively low rents in Durham with the most of the rents below \$600 per month well below the affordability threshold, but also an indication of the limited opportunity for larger, higher quality rental units.

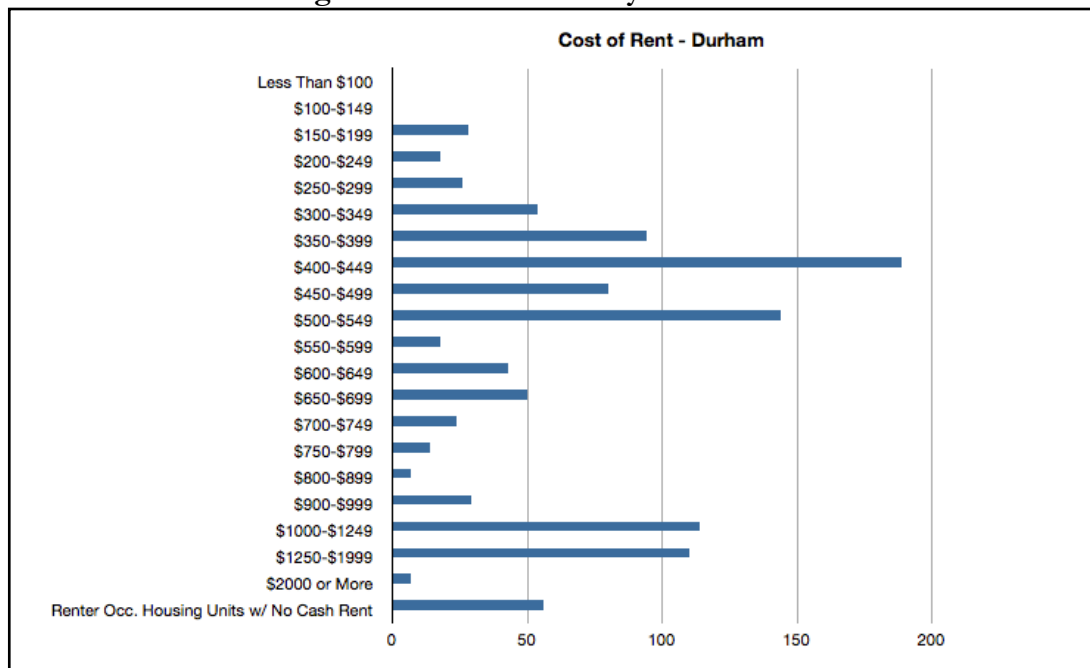
Cost of Housing in Durham and the County Has Risen Sharply

Housing costs in Strafford County rose sharply from 2000-2008 as a result of low interest rates for home buyers, strong job growth and a significant population growth in the region. Residential sales data for Durham for the years 2001-2005 are summarized below:

- Average sales price of a residential dwelling in Durham in 2000 was \$221,500 compared to an average sales price of \$128,500 in the Strafford County region as a whole.
- By 2005, the average sales price for a residential dwelling in Durham had increased by 60 percent to \$352,000, whereas the sales price for the County increased to \$235,000 or almost 83%

During the period 2003 to 2005 alone, the percent change in the median home sales price in Durham increased 11.4 percent or \$36,000.

Figure 5. Cost of Monthly Rental



Source: 2000 Census

This trend has changed over the past five years. From 2005 to 2008, Durham saw 15.0 percent decrease in the median home sales price to \$299,000, compared to a 0.3 percent increase in the Strafford region. (*New Hampshire Housing Finance Authority, 2010*). By 2009 prices began to rise again with median home sales \$305,000. While the trend has slowed recently during the current economic downturn, it is expected that population and housing demand will continue to grow.

Housing Affordability

In the 2000 Master Plan it was noted that estimated median family income was \$72,862. At that time it was typical to have mortgages 2-2.5 times gross annual incomes. This would allow for the purchase of a home in the range of \$145,724-\$182,155. Since the median value of an owner-occupied house in Durham at that time was \$171,168, housing was relatively affordable. However, the Plan also noted that these prices were based on an older housing stock and with new construction the cost was more like \$248,000—well outside the affordability range. With the continued increase in the cost of housing construction, it was predicted that the housing affordability gap for owner-occupied housing would only grow.

As of 2009 there appears to still be an affordability gap for Durham. With the Workforce Housing law in effect, the threshold for affordability is now based on the following:

Housing with combined rental and utility costs or combined mortgage loan debt services, property taxes, and required insurance that do not exceed 30 percent of a household's gross annual income.

The law also cites the use of the U.S. Department of Housing and Urban Development's (HUD) Area Median Income for a family of four (owner) and family of three (rental) data to determine the median income standard for affordability.

HUD median family income for home ownership for the Portsmouth-Rochester HMFA¹ (includes Durham) was \$80,000 with 5% down payment and \$81,600 with a 10% down payment. The average family in this region making a five percent down payment would be able to afford a home with a selling price of \$244,000 or \$273,000 with a ten percent down payment. Based on 52 home sales in Durham during 2009, only 17 units (33%) were sold at less than \$273,000—67% of the units were unaffordable. The median sale price was \$305,000. **See Figure 6.** By analyzing the current town assessor records for the value of the housing stock with respect to affordability, it appears that only 30% would be affordable by the state's Workforce Housing Law. **See Figure 7.**

These numbers are further borne out by recent housing sales data for Durham supplied by the Strafford County Multiple Listing Service (MLS). For the one-year period of July 2009 through July 2010, there were 64 properties sold. The highest price was \$1,837,800 while the lowest was \$170,000. However, the median was \$314,450 (the average was \$352,171), still way above the HUD area median for a family of four of \$273,000; this even during the economic slowdown where housing markets have been relatively depressed.

During this same period based on 168 home sales in Strafford County, 108 units or 64 percent—nearly double the percent for Durham—were sold for less than \$273,000. Only 26% were unaffordable. **See Figure 8.** Based on these data, it appears that Durham provides much less opportunity for affordable or workforce housing than the rest of Strafford County.

Similarly for renter housing, the median area income for workforce housing for the Portsmouth-Rochester HMFA is 60% of the 2009 HUD area income for a family of three or \$43,200. This would translate into a monthly rent of \$1,080 using 30% of income. Based on these standards the level of rent in Durham allows for 69% to be rented at or below this threshold, making the rental situation for affordable housing more accommodating than owner occupied housing. **See Figure 9.** However, the sample for these data are rather small (16 samples), so a definitive conclusion may be hard to make. In the Portsmouth-Rochester HMFA region 62% of the rental units sampled were considered affordable. The Durham rental market appears to be more accommodating than the rest of the HUD region. **See Figure 10.**

Future Housing Needs

Most Recent Projections—Continued Moderate Growth in Dwelling Units

NH OEP projects population increase of 2,260 persons for Durham by 2030. The 2000 census household size for Durham is 2.79 persons per household. By 2030 this figure is expected to decline to approximately 2.19 persons per household. Based on an average household size based on these figures of 2.48, there could be projected a need for 911 more total housing units during this 20 year period or almost 46 units per year.

A more sophisticated housing needs projection was conducted by the Strafford Regional Planning Commission through its Regional Housing Needs Assessment prepared in December of 2009. The purpose of the study was to determine the regional housing needs through 2015 for all ages and income levels and in particular to determine workforce housing needs. This needs analysis averaged several growth projection models based on regional employment, resident labor and household income. Under this model the region should be expected to create 1,000 units per year from 2007 through 2015. Based on its current regional share of housing—5.62 percent—Durham could expect to accommodate approximately 56 units per year.

¹ Includes Barrington, Dover, Durham, Farmington, Lee Madbury, Middleton, Milton, New Durham, Newmarket, Rochester, Rollinsford, Somersworth, and Strafford; the region that is to be used to calculate median family income for purposes of SB 342 (RSA 674: 58-61)

Housing Needs Assessment—Durham’s Need for Affordable Units

The SRPC Housing Needs Assessment also determined the distribution of the future growth in the regional workforce housing supply. Based on the average projection of future households by tenure and income, the report model allocates the amount of workforce housing for all communities. Workforce units include the projected increase in ownership units affordable to families are or below the 100% of AMFI and rental units affordable at or below 60% of the AMFI. A key component of the formula is the weighted factor for adjacency to employment, i.e., the closer a community is to an employment center the greater the weighting for workforce housing. Based on the Regional Housing Needs Assessment model for the period of 2007 through 2015, Durham should provide opportunity for a projected 349 workforce units—245 owner units and 104 workforce rental units. The Needs Assessment did not provide the current number of affordable units. However a surrogate number could be determined by applying the HUD 100% Area Median Income for the Portsmouth-Rochester Fair Market Rent Area (criterion for state Workforce Housing Law) to Durham’s current property assessment records, Durham has approximately 617 units that fall below this level. **See also Figure 7.**

Note: The “fair share” allocation model prepared by SRPC is an estimate that is only meant to be a guideline for each community in the region to consider in meeting its goal of increasing the workforce housing supply. While the new state law for workforce housing (RSA 674: 58-61) requires that a municipality take into consideration its existing housing stock to determine compliance with the law, it is not necessary to identify its fair share responsibility as long as it is providing the **opportunity** for the development of workforce housing.

Figure 6. Durham Home Purchase Price Trends, 2009

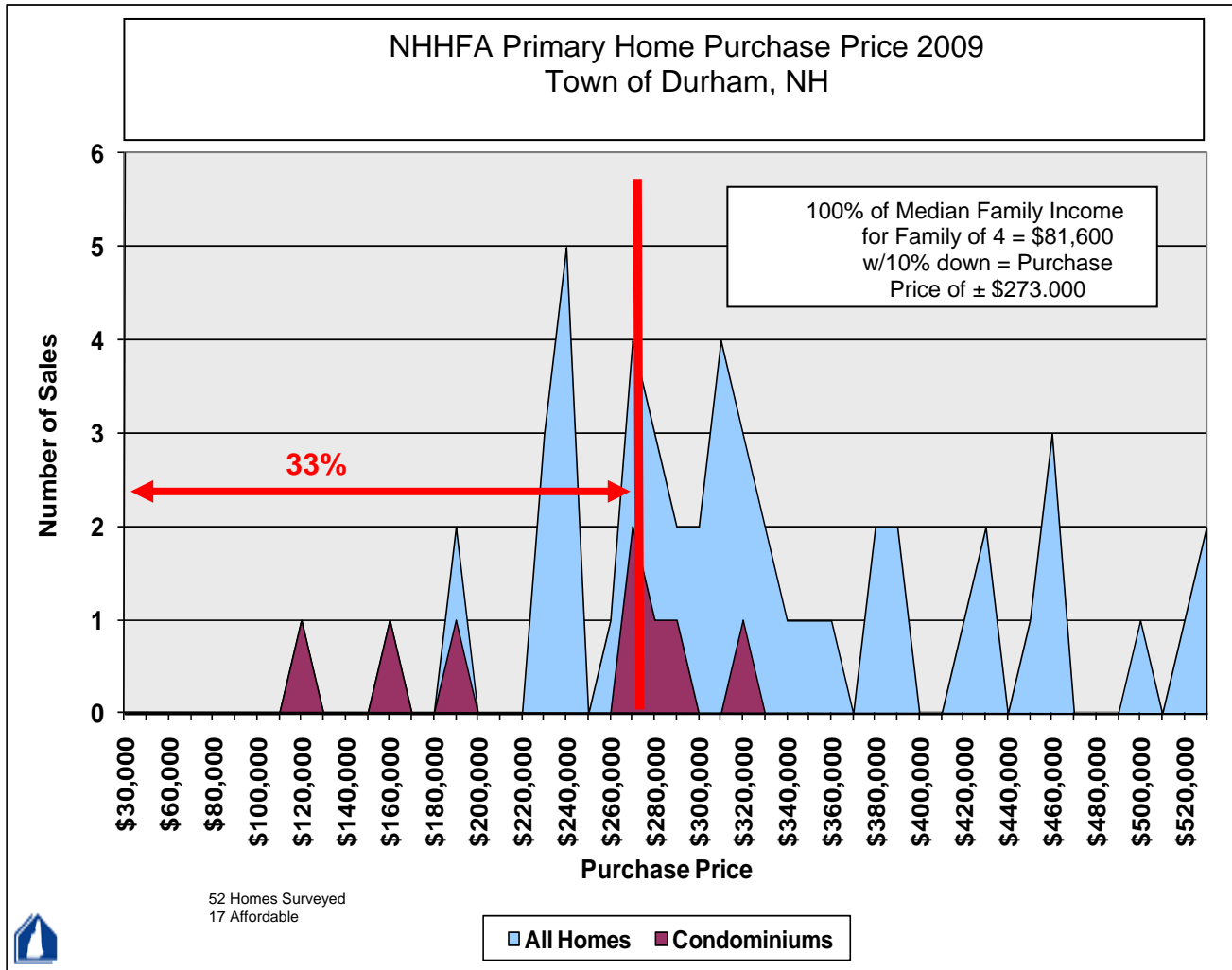


Figure 7. Affordability based on Assessed Value

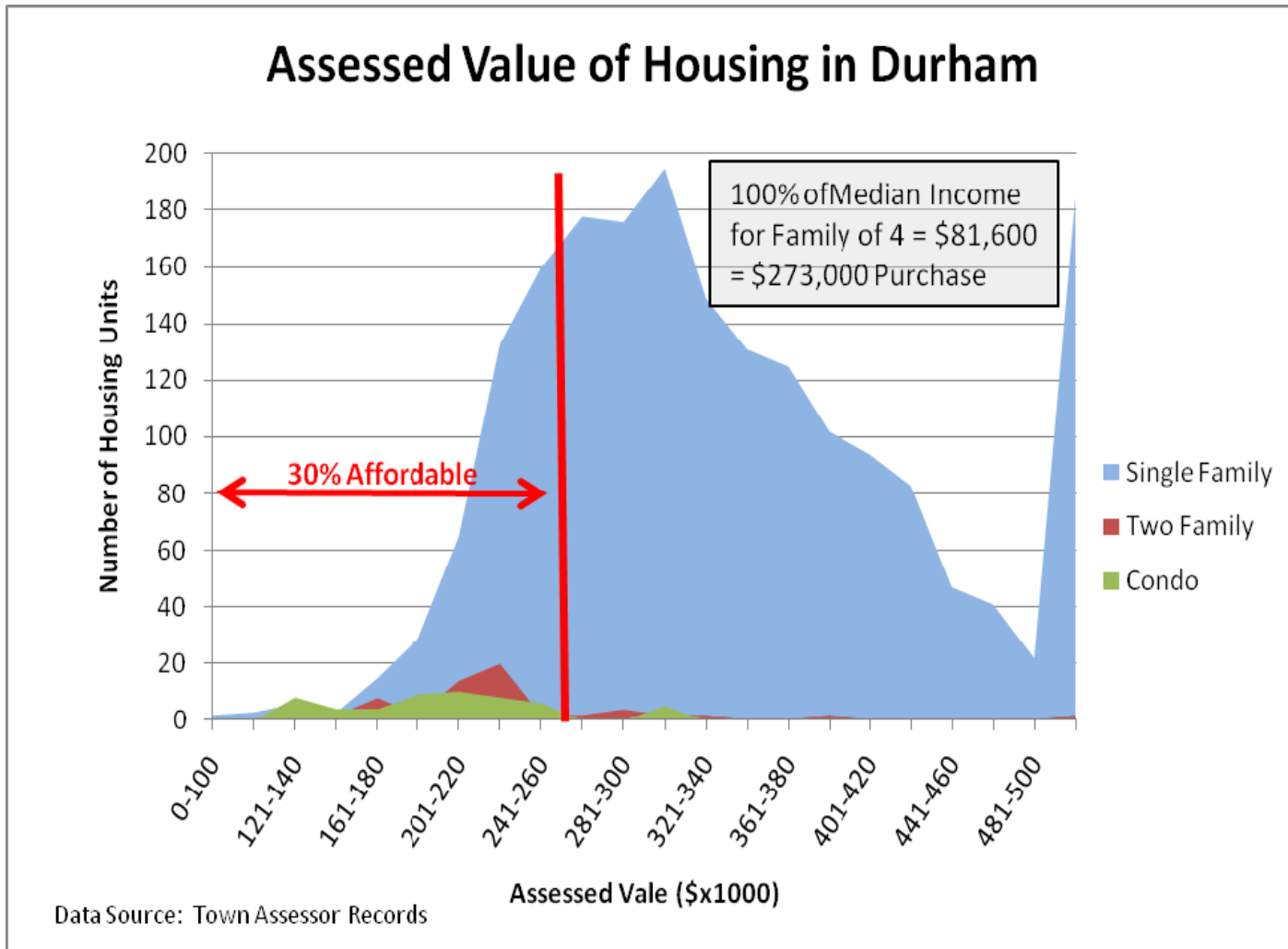


Figure 8. Home Purchase Price Trend, Strafford County, 2009

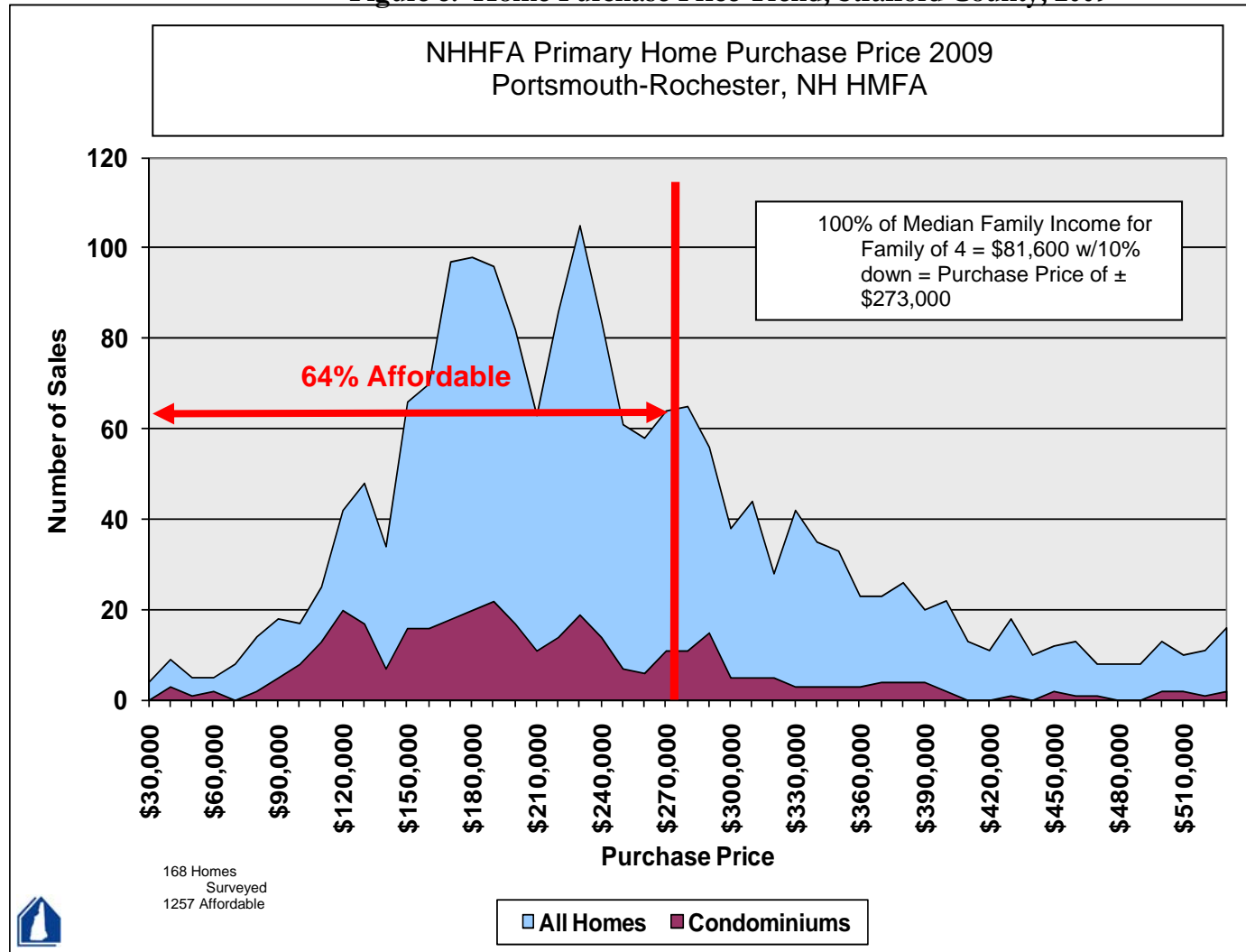


Figure 9. Cost of Rental Housing, Durham, 2009

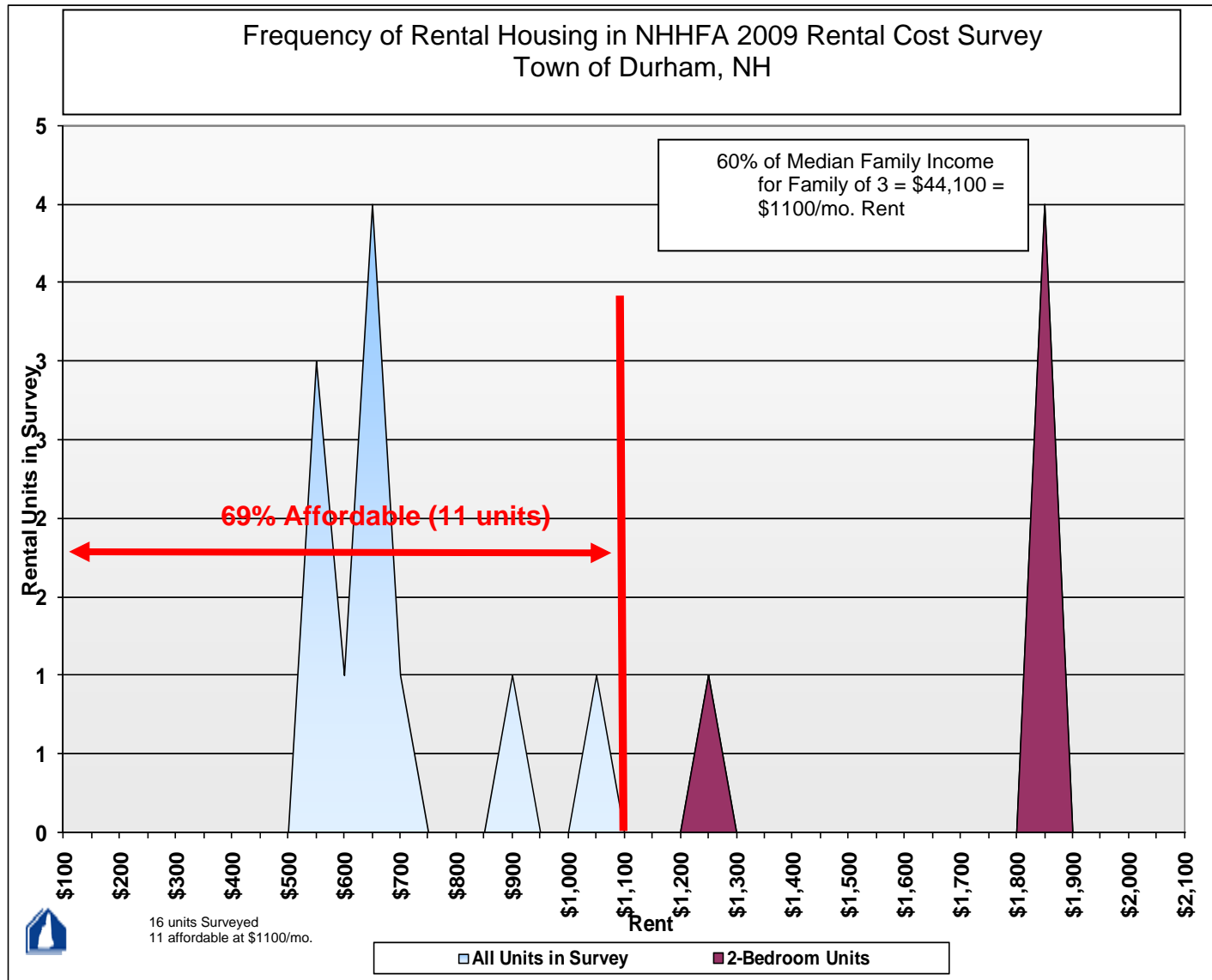


Figure 10. Cost of Rental Housing, Region, 2009

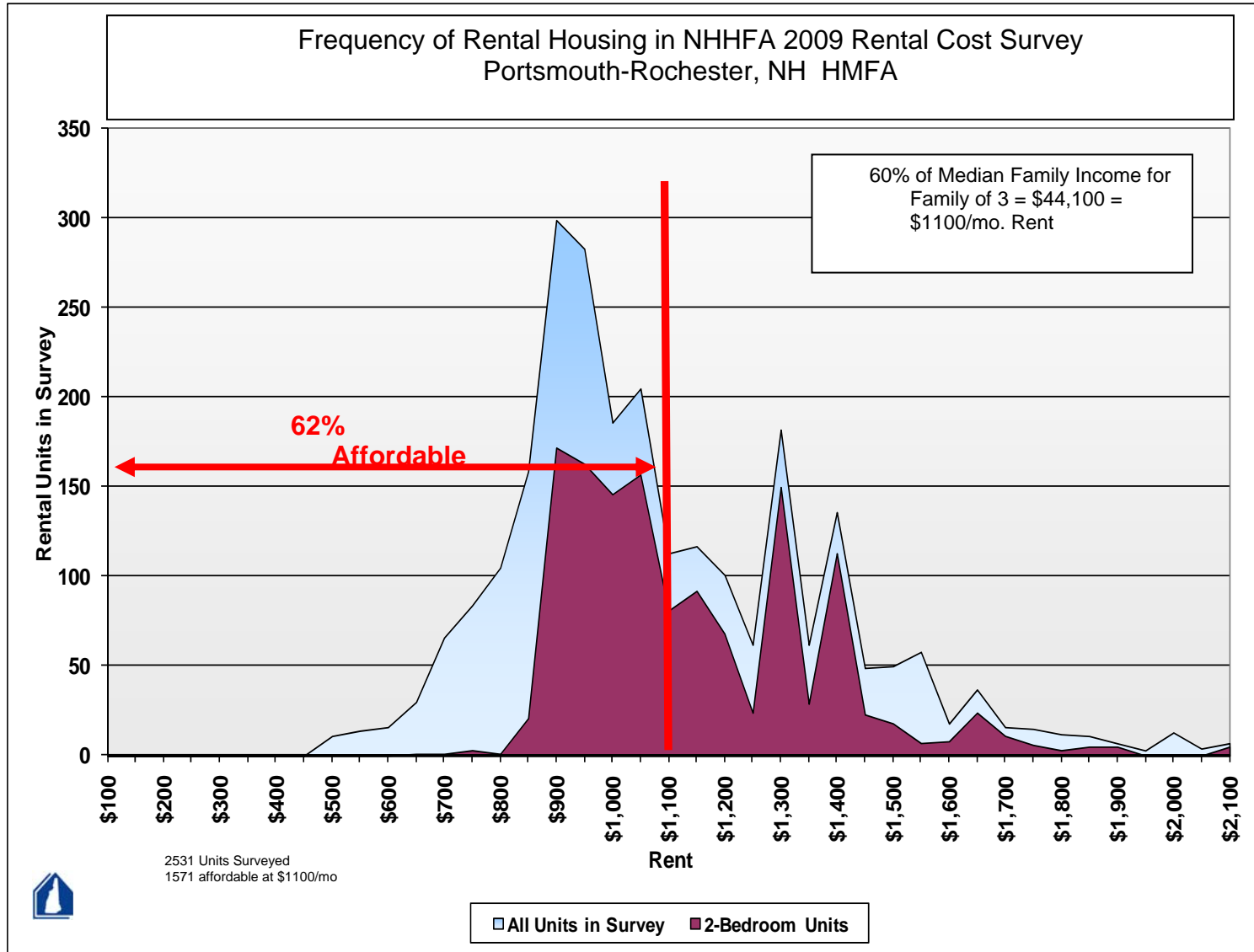


Exhibit A

SB 342 Workforce Housing Opportunities (RSA 674:58-61)-A Summary

This law:

- Requires municipalities to provide opportunities for development of workforce & multifamily housing.
- Establishes a mechanism for expediting relief from municipal actions which deny, impede, or delay qualified proposals for workforce housing.

Community Responsibility:

- Shall provide **reasonable and realistic opportunities** for the development of workforce housing, including rental multi-family housing.
- Shall allow workforce housing to be located in a **majority**, but not necessarily all, of the land area that is zoned to permit residential uses within the municipality.
- This obligation may be satisfied by a variety of tools including the adoption of **inclusionary zoning** as defined in RSA 674:21, IV (a).

Qualifications:

- Law **does not require** a municipality to allow for the development of multifamily housing in a majority of its land zoned to permit residential uses.
- **Existing housing stock shall be taken into consideration** to determine if a municipality is providing its “fair share” of current and reasonably foreseeable regional need for workforce housing.
- Law allows communities to **apply reasonable restrictions** related to environmental protection, water supply, sanitary disposal, traffic safety, and fire and life safety protection.

Land Use Board Process

- As part of the application, the developer must notify the board that a workforce housing development is being proposed.
- Planning board RSA 676:4 plat review (or other process) proceeds as normal.
- Upon approval with conditions, board notifies the applicant, who then has at least 30 days to identify the cost impact of the conditions upon the economic viability of the project.

Definitions:

Affordable—housing with combined rental and utility costs or combined mortgage loan debt services, property taxes, and required insurance that **do not exceed 30 percent** of a household’s gross annual income.

Multi-family housing—a building or structure containing **5 or more dwelling units**.

Reasonable and realistic opportunities for the development of workforce housing—means opportunities to develop workforce housing within the framework of a municipality’s ordinances and regulations. Community not in violation by virtue of economic conditions beyond the control of the municipality that affect the economic viability of workforce housing development.

Workforce housing—Affordable to household:

- Owner family of 4 with an income of no more than 100 percent of the area median income
- Renter family of 3 with an income of no more than 60 percent of the area median income.
- Does not include: a. housing developments that excludes minor children from more than 20 percent of the units (age restricted) or b. more than 50 percent dwelling units have fewer than 2 bedrooms.

Effective Date: January 1, 2010