



Conway Pines, Conway

## Funding Sources for Housing Development

Although funding is not the only solution to housing issues in New Hampshire, it is part of the answer. The production of new affordable housing in New Hampshire usually involves a combination of grants, loans, tax credits, and public contributions. This enables a potential developer to assemble project financing that meets the specific needs of the project. The good news is that one does not need to be an expert on all the various funding sources, but at least one development partner should be well-versed in this area.

In many cases, the resources available at the beginning of a project may not still be available when ground is broken. An experienced development partner can keep a sound project viable, but due to timing, it may not be with the funding sources originally projected. Starting a project requires money: The market must be assessed, a project site must be secured, and preliminary architectural and engineering work must be done to determine if the site is suitable for development. The New Hampshire communities that have had the greatest success in implementing their housing agendas are those that have access to predictable, ongoing funding sources. This section presents several available funding sources for the creation, or support of new housing units.

### **Community Development Block Program (CDBG)**

The primary purpose of the Community Development Block Grant (CDBG) program is to develop viable communities by providing decent housing, suitable living environments, and expanding economic opportunities, principally for persons of low and moderate income. It is funded through the U.S. Department of Housing and Urban Development (HUD) and administered in New Hampshire by the NH Community Development Finance Authority (CDFA), with the exception of five communities that receive CDBG funding directly from HUD (Manchester, Nashua, Portsmouth, Rochester, and Dover). Only municipalities may apply for CDBG funding, so developers and the communities in which they are working must collaborate. Affordable housing and housing rehabilitation grants provide municipalities with the funds to purchase, rehabilitate, expand, and improve the condition and supply of housing for low- and moderate-income homeowners and tenants. CDBG funds are often sub-granted to non-profit affordable housing developers for these purposes. Feasibility study grants are also available to determine whether or not a proposed CDBG project is feasible and/or to recommend specific action that must be taken.

Eligible activities include income surveys; architectural and engineering design; cost estimates; and market analyses.

CDBG is the state's largest funding source for community development. To take advantage of CDBG funding, a community with limited staff may need to hire a consultant or enlist the services of an experienced housing agency. CDBG staff at the CDFA office can assist you with application requirements and help get your community started.

*Contact Information:*

NH Community Development Finance Authority  
14 Dixon Avenue, Suite 102, Concord, NH 03301  
(603) 226-2170  
[www.nhcdfa.org/block-grants/](http://www.nhcdfa.org/block-grants/)

**The HOME Program**

The HOME Investment Partnership Program (HOME) is funded through the U.S. Department of Housing and Urban Development, and is the largest federal block grant designed exclusively to create affordable housing for low income households. The HOME program helps expand the supply of decent, affordable housing for low and very low income families by providing grants to state and local governments called participating jurisdictions, or "PJs." PJs then use their HOME grants to fund housing programs to meet local needs and priorities. PJs have a great deal of flexibility in designing their local HOME programs within the guidelines established by HUD. PJs may use HOME funds to help developers, renters, new homebuyers, or existing homeowners. In New Hampshire, both Manchester and Nashua receive HOME funding directly from HUD, as does New Hampshire Housing.

HOME provides formula grants to states and some municipalities that communities use—often in partnership with local nonprofit groups—to fund a wide range of activities to build, buy, and/or rehabilitate affordable housing for rent or home ownership, or provide direct rental assistance to persons of low income.

*Contact New Hampshire Housing Finance Authority.  
Contact information included at the end of this chapter.*



Harriman Hill, Wolfeboro

## Harriman Hill – Wolfeboro

Harriman Hill is a workforce housing neighborhood located on 35 acres of back land in Wolfeboro. The first two of its three phases are complete and include 48 units of affordable apartments for families. The development is within walking distance to downtown Wolfeboro and other employment areas in town and uses municipal water and sewer services.

The project was begun in the mid-2000s by the Eastern Lakes Region Housing Coalition, which partnered with the Laconia Area Community Land Trust (LACLT), which used its development expertise to secure a variety of funding sources. Phase II included funding from CDBG, LIHTC, HOME, the New Hampshire Community Development Investment Program (CDIP) and other subsidy sources, as well as conventional financing from a local bank.

*Contact Information:*

Laconia Area Community Land Trust  
658 Union Avenue  
Laconia, NH 03246  
(603) 524-0747  
[www.lact.org](http://www.lact.org)

### **Low Income Housing Tax Credit Program (LIHTC)**

The Low Income Housing Tax Credit (LIHTC) program is currently the single largest source of federal capital subsidy to create and preserve affordable rental housing. The program was added to Section 42 of the Internal Revenue Code (“IRC 42”) in 1986. Under IRC 42, the Internal Revenue Service (IRS) allocates LIHTCs to states on a per capita basis. States in turn designate an agency to allocate LIHTCs using competitive criteria established in accordance with IRC 42. The state of New Hampshire designated the New Hampshire Housing as the agency to allocate LIHTCs. New Hampshire Housing has developed a Qualified Allocation Plan (QAP) to establish the criteria and process for allocating LIHTCs in New Hampshire.

LIHTC provides a strong incentive for private investment in new, affordable rental housing. Eligible projects receive federal income tax credits over a 10-year period, commensurate with the percentage of the units set aside for eligible households. In order to be eligible, a minimum of 20% of the project must be targeted to households earning 50% or less of median area income, or 40% of the project must be targeted to households earning 60% or less of median area income. Project owners must commit to maintaining these affordability levels for 99 years.

*Contact New Hampshire Housing Finance Authority. Contact information included at the end of this chapter.*

### **Federal New Markets Tax Credit Program**

The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to spur new or increased investment in businesses and real estate projects operating in low-income communities. The NMTC Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs). The credit totals 39% of the original investment amount and is claimed over a period of seven years (5% for each of the first three years, and 6% for each of the remaining four years). The investment in the CDE cannot be redeemed before the end of the seven-year period.

These investments are expected to result in the creation of jobs and material improvement in the lives of residents of low-income communities. Examples of expected projects include financing small businesses, improving community facilities such as daycare centers, and increasing opportunities for homeownership .

#### *Contact Information:*

Community Development Financial Institutions Fund  
U.S. Department of the Treasury  
Phone: (202) 653-0421  
Email: [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov)  
[www.cdfifund.gov/what\\_we\\_do/programs\\_id.asp?programID=5](http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5)

### **Historic Preservation Tax Credits**

Federal law provides a federal income tax credit equal to 20% of the cost of rehabilitating a historic building for commercial use. To qualify for the credit, the property must be a certified historic structure – that is, on the National Register of Historic Places or contributing to a registered historic district. Non-historic buildings built before 1936 qualify for a 10% tax credit. A substantial rehabilitation is necessary, and the work must meet the Secretary of the Interior’s Standards for Rehabilitation. Applications for the credit are available through the state historic preservation office, and the final decisions are made by the National Park Service.

Since the program’s inception in 1976, these tax incentives have spurred the rehabilitation of historic structures of every period, size, style, and type. The incentives have been instrumental in preserving the historic places that give our cities, towns, and rural areas their special character and have attracted new private investment to the main streets and historic cores of our cities and towns.

#### *Contact Information:*

New Hampshire State Historic Preservation Office  
New Hampshire Division of Historical Resources  
19 Pillsbury Street, 2nd Floor  
Concord, NH 03301  
(603) 271-3483  
[www.nh.gov/nhdhr](http://www.nh.gov/nhdhr)



## State Tax Credits

The New Hampshire Community Development Investment Program (CDIP) gives a 75% state tax credit against a donation made to any approved housing project. The tax credit may be applied against the New Hampshire business profits tax, business enterprise tax, and/or the insurance premium tax. The donation also may be eligible for treatment as a state and federal charitable contribution. In most cases, businesses only pay about 11 cents on-the-dollar for their contribution.

State tax credits are awarded on a competitive basis to qualified organizations for specific projects or programs. The most successful projects demonstrate a high degree of community support, build partnerships, and leverage other funds.

### *Contact Information:*

New Hampshire Community Development  
Finance Authority (CDFA) - CDBG Program  
14 Dixon Avenue, Suite 102, Concord, NH 03301  
603-226-2170  
[www.nhcdfa.org/tax-credits](http://www.nhcdfa.org/tax-credits)

## Local Tax Policy

New Hampshire statutes allow municipalities to create innovative financing structures for new development that modify the application and use of local property taxes. See Chapter 4 for discussion of Tax Increment Finance Districts (RSA 162-K) and Chapter 3 for information about the Community Revitalization Tax Relief Incentive (RSA 79-E).

## Donations and Fundraising Efforts

Contributions from local businesses, local financial institutions, and citizens can be earmarked to support affordable housing initiatives. This may include monetary and property donations, or some combination thereof. If your community or organization is committed to fundraising, you must be creative and persistent. In addition to the financial benefits, a well-orchestrated fundraising effort can raise awareness of the various housing needs within the community and build support for future housing initiatives. You must be vigilant that your fundraising efforts do not detract from your housing production efforts, but provide the necessary support.



Cotton Mill, Nashua

## Cotton Mill – Nashua

After other developers turned away from this building because of its complex issues, including a floodplain designation, the Stabile Companies found an unusual path to rehabilitating this industrial property built in 1850 – Stabile worked with the City of Nashua to modify the downstream dam on the Nashua River to remove the building from the floodplain. They also assembled an array of funding sources to complete the project, including Historic Preservation Tax Credits, LIHTC, CDIP, and HOME.

The Cotton Mill is a mixed-income project that includes 55 affordable apartments and 54 market-rate apartments. The apartments range from studios to two-bedroom units and feature ENERGY STAR efficiency certification from the U.S. Environmental Protection Agency (EPA). The property is located on Nashua's Riverwalk and is within a short walk to the city's downtown. The Cotton Mill rehabilitation project has sparked the transformation of the surrounding neighborhood.

### Contact information:

The Stabile Companies  
20 Cotton Road  
Nashua, New Hampshire 03063  
(603) 889-0318  
[www.stabilecompanies.com](http://www.stabilecompanies.com)



Gile Hill, Hanover

## Gile Hill – Hanover

As one of the most expensive communities in New Hampshire, Hanover struggled with housing affordability problems for years. The town formed a local housing commission, which recommended the use of town-owned property for affordable housing development. The voters of the town agreed to sell the property for one dollar to the Twin Pines Housing Trust, which assembled a development team and necessary financing to build Gile Hill, a mixed-income rental and ownership project, the first phase of which includes 61 rental units and 44 ownership units.

Gile Hill is situated near Hanover's downtown and Dartmouth College and is a short walk from Dartmouth Hitchcock Medical Center, the area's largest employer.

*Contact Information:*

Twin Pines Housing Trust  
240 South Main Street, Suite 4  
White River Junction, VT 05001  
(802) 291.7000  
[www.tphtrust.org](http://www.tphtrust.org)

### For More Information

There are a number of state and quasi-public agencies that provide funding and professional expertise for planning, technical assistance, and pre-development activities. These resources can assist communities and their development partners in the early stages of a project, helping to move it from planning into implementation.

New Hampshire Housing Finance Authority is a good place to learn what resources might be available, whether you are responding to a proposal that has been brought to you, or initiating one of your own. [🏠](#)

*Contact Information:*

New Hampshire Housing Finance Authority  
32 Constitution Drive  
Bedford, NH 03110  
1-800-640-7239  
[www.nhhfa.org](http://www.nhhfa.org)