

FY 2023

NEW HAMPSHIRE HOUSING PROGRAM PLAN

June 2022



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AHF (Affordable Housing Fund)

This fund was created by the State Legislature in 1988 with an initial appropriation of \$4 million, and through 2019 it received occasional capital or operating appropriations from the State, totaling over \$22 million. Starting in FY 2020, the Legislature established a dedicated funding source for the AHF: \$5 million annually from Real Estate Transfer Tax revenues. In FY 2021, the Legislature made a one-time appropriation of \$25 million from state general fund surplus. Through FY 2022, total state appropriations to the AHF have been \$62.6 million. In addition to State appropriations, loan receipts from mortgages made using AHF funds are repaid to the fund, and fees charged on NH Housing bond issues are also deposited into the AHF. All AHF resources must be used to support housing in which at least 50% of the units are targeted to residents who are at or below 80% of the area median income.

Bond Proceeds

Proceeds from the issuance of single-family and multi-family mortgage revenue bonds for the financing of affordable housing and associated mortgage reserves. A certain amount of bond allocation has been exchanged for Mortgage Credit Certificates (MCC) as part of the Homebuyer Tax Credit Program.

FAF (Financing Adjustment Factor) Funds

NH Housing's 50% share of the additional spread between mortgage loan and bond interest rates created through the 1991 refunding of certain multi-family bonds. FAF resources must be used to benefit individuals with incomes at or below 50% of the area median income.

GNMA/FNMA (Ginnie Mae/Fannie Mae)

Funds made available from the sale of loans and/or mortgage-backed securities.

HOME

NH Housing receives an annual allocation through the HUD-sponsored HOME Investment Partnerships Program based on state demographics, including homelessness. The funds can be used for the acquisition or rehabilitation of housing for low- and very-low-income individuals.

HLT (Housing Loan Trust)

This fund was created with an initial appropriation of \$1 million from the State of New Hampshire for the purpose of supporting affordable homeownership programs. The resources are used primarily for downpayment assistance and closing costs, and the beneficiaries must be at or below 100% of statewide median income.

HTF (Housing Trust Fund)

The HTF was established as part of the Housing and Economic Recovery Act of 2008 (HERA). Capitalized by Fannie Mae and Freddie Mac, the HTF primarily provides rental housing for extremely low-income people (<30% AMI). The proceeds are distributed to states and are administered much like HOME, but with deeper targeting and a longer term of affordability (30 years).

Low-Income Housing Tax Credit (LIHTC) Program

The Low-Income Housing Tax Credit (LIHTC) Program provides a strong incentive for private investment in affordable rental housing. It is the largest source of federal capital subsidy to create and preserve affordable rental housing. The LIHTC program, a US Treasury initiative, gives investors a dollar-for-dollar reduction in federal tax liability in exchange for providing funding to affordable housing developments. Tax credits are issued as 4% credits when they are received as part of NH Housing's tax-exempt bond financing, or as 9% credits when awarded under the competitive funding rounds as defined by the Qualified Allocation Plan (QAP).

Operating Fund

Unrestricted NH Housing financial resources available to support both the administrative operations and housing program initiatives of the organization. Operating Fund resources are derived primarily from bond issue residuals, federal program administrative fees, loan servicing fees, other single- and multi-family program activity, and income and principal receipts from prior investments in loans and securities.

Other

This category includes resources provided by other entities that may be provided on a short-term basis or for a specific program, for example: line-of-credit advances.

Section 8 Funding

Federal funds to support rental assistance programs. The principal programs are the Housing Choice Voucher (HCV) Program (tenant-based assistance), and project-based assistance through the Performance Based Contract Administration (PBCA) Program.

STRATEGIC PLAN

MISSION AND VALUES

MISSION STATEMENT

To promote, finance and support affordable housing and related services for the people of New Hampshire.

VISION STATEMENT

A New Hampshire with decent, affordable housing for all.

VALUES

Commitment and Leadership

Achieve excellence by working together to proactively and effectively demonstrate leadership.

Responsiveness and Collaboration

Work with and be responsive to each other and our business partners in the pursuit of opportunities to achieve our goals.

Stewardship and Integrity

Exhibit prudent, ethical, and transparent administration of limited public resources and be accountable and reliable in all matters.

Respect and Honesty

Treat everyone we encounter with dignity and mutual respect and be inclusive, candid, and open in our communications and behavior.

Creativity and Innovation

Think objectively and listen with open minds, raise questions, challenge assumptions, and promote an atmosphere that supports creativity and innovation.

Alertness and Agility

Be vigilant and prepared to adapt to changing conditions, opportunities, and challenges.

Trust and Teamwork

Establish, grow, extend, and embrace trust as an essential component of effective working relationships. Embrace teamwork as essential to achieving overall success.

ORGANIZATIONAL GOALS

ORGANIZATIONAL GOALS

1. Increase and preserve access to decent, safe, affordable housing for individuals and families.
2. Provide leadership in research, public education, and advocacy activities that promote access to and understanding of the need for a balanced and adequate supply of housing and its relationship to the orderly economic development of the state and its communities.
3. Increase housing opportunities for individuals and families that are underserved by the private market.
4. Identify new resources and implement innovative approaches to increase affordable housing opportunities for eligible persons and families.
5. Ensure the long-term viability and stability of NH Housing through prudent financial, nimble, human, modern, secure, and technological resource management policies and practices, creatively balancing risk mitigation with organizational and public policy goals.
6. Develop and maintain appropriate partnerships to further the public purposes of NH Housing.
7. Contribute to the economic and social development of the state and its economy.
8. Promote energy efficiency, sustainability, and resiliency as an organization and in both rental housing and homeownership by engaging with partners to encourage design innovation.

STRATEGIC POLICIES

GENERAL POLICIES

By law, New Hampshire Housing is responsible for promoting access to affordable housing for low- and moderate-income households. In support of this role, NH Housing will:

1. Maintain a high level of fiduciary oversight as expected of a responsible public financial institution.
2. Establish and cultivate effective partnerships with government agencies, nonprofit and for-profit organizations, lenders, real estate professionals, homebuilders, and others with interests in housing.
3. Effectively communicate priorities and expectations while simultaneously considering and responding to partners' concerns and needs.
4. Design programs, whenever possible, as an integral element of broader community development activities undertaken by local governments and for- and nonprofit developers.
5. Engage in a comprehensive annual process of operations and program planning and budgeting.
6. Ensure that programs are conducted in an effective and efficient manner and in compliance with external requirements, and are designed to include measurable outcome indicators, performance goals and standards.
7. Recognize and actively implement human resource management and compensation strategies that encourage the recruitment, retention, and professional development of high-performing employees.
8. Maximize the cost-effective deployment of technology in support of strategic and operational goals, and to maintain or improve administrative and program efficiency.

FINANCIAL RESOURCE MANAGEMENT POLICIES

New Hampshire Housing is an independent public financial institution with access to and responsibility for a broad range of financial resources. As the steward of these public resources, NH Housing will:

1. Generate and manage financial resources to ensure its ability to support ongoing operations and preserve the capacity to fund existing and new program initiatives.
2. Control costs and attempt to optimize the return on investment of financial resources while achieving a responsible balance between financial gain and public policy goals.
3. Make all unrestricted funds available through the Operating Fund and use such resources to support administrative operations, capitalize and maintain formal reserves established by the Board of Directors, and fund program activities. The appropriate capitalization level of the reserves will be reviewed annually as part of the planning process.
4. Allocate Operating Fund resources for program activities based on the following priorities:
 - Activities that will yield a financial return;
 - Activities that will result in the return of principal expended if a financial return or yield is not possible; and
 - Grant and other programmatic expenditures that contribute to achieving the mission of NH Housing.
5. Seek the best execution for mortgage financing that balances current market conditions with NH Housing's short- and long-term financial stability. Such executions may include retaining loans, selling loans, selling loan participations and issuing bonds or mortgage-backed securities.
6. Work to identify and secure new funding sources to increase NH Housing's (and partners') capacity to support affordable housing initiatives.

HOMEOWNERSHIP PROGRAM POLICIES

New Hampshire Housing will ensure there are responsible homeownership opportunities for eligible households because successful homeownership helps borrowers, lenders, real estate professionals and the state's overall economy. In this context, NH Housing will:

1. Provide a range of homeownership programs, adjusting programs in response to available resources and to changes in the housing finance market.
2. Follow underwriting guidelines that serve qualified borrowers, support prudent lending, and ensure compliance with regulatory requirements.
3. Offer a unique mortgage product that provides borrowers with cash assistance for down payment and closing costs.
4. Provide participating lenders and originators with an array of mortgage options that also enables NH Housing to have varied and effective secondary-market executions.
5. Maintain a constant and viable presence in the mortgage market.
6. Provide special mortgage programs to underserved borrowers, when appropriate, through the targeted use of subsidies and through partnerships with suitable organizations.
7. Use federal tax-exempt bond capacity to help low- and moderate-income borrowers achieve successful homeownership, including through mortgage credit certificates and/or loans funded by tax-exempt bonds.
8. Support education and counseling activities that help homebuyers attain and retain successful homeownership. This includes supporting foreclosure intervention strategies for at-risk homeowners.
9. Provide residential mortgage products that support the state's economic development and the overall housing market.
10. Vigorously reach out to borrowers, lenders, real estate professionals and nonprofits about NH Housing's homeownership programs.
11. With other stakeholders, support the development of new, moderately priced single-family homes.

HOMEOWNERSHIP SERVICING POLICIES

The single-family mortgage and servicing rights portfolios constitute New Hampshire Housing's largest financial assets. Management and preservation of these portfolios is key to the agency's financial future and critical to the well-being of our borrowers. In administering these portfolios, NH Housing will:

1. Service single-family loans originated through NH Housing's programs.
2. Manage the portfolios in a manner that minimizes the displacement of borrowers without jeopardizing NH Housing's financial stability, bond rating or ability to meet obligations to creditors and investors.

MULTI-FAMILY DEVELOPMENT POLICIES

New Hampshire Housing is the principal source in the state for financing both new affordable rental housing and initiatives to preserve existing affordable housing. NH Housing will:

1. Finance housing that is constructed to provide high quality, environmentally safe living spaces that are energy efficient and designed to minimize maintenance and on-going replacement expenses.
2. Monitor short- and long-term changes in housing market needs and demands and, in turn, implement and modify programs and practices in order to best allocate housing development finance resources.
3. Give priority to housing projects that:
 - Have strong community, economic and neighborhood development outcomes.
 - Are not age restricted.
 - Provide appropriate levels of tenant services.
 - Target scarce public resources to the lowest income households as is reasonably feasible.
 - Are located in municipalities that have historically been resistant to providing the opportunity for affordable housing.
 - Leverage non-NH Housing capital and operating subsidy funding sources.
 - Provide for long-term rent and tenant income restriction periods.
4. Allocate scarce housing development resources using the following criteria:
 - Use accepted subsidy layering practices to provide only the minimum amount of public subsidy necessary for the cost of development and long-term operating sustainability.
 - Use HOME and other federal capital subsidy sources to primarily support full utilization of Low-Income Housing Tax Credits.
 - Use 9% Low-Income Housing Tax Credits primarily to create new affordable housing units through new construction, adaptive re-use of non-residential buildings, and conversion of existing market rate residential buildings into affordable units and, to a limited degree, for the preservation of existing rent- and income-restricted housing.
 - Use tax-exempt construction and/or permanent debt financing in order to access 4% Low-Income Housing Tax Credits for the preservation of existing rent- and income-restricted housing or new construction of mixed income projects.
5. Look for new financing tools and encourage the use of existing financing tools by doing the following:
 - Take a proactive approach to identifying opportunities for taxable lending opportunities, including loan participation models, for housing preservation and new housing development.
 - Identify ways to simplify and reduce the cost of using tax-exempt bond construction financing (and the 4% Low-Income Housing Tax Credit) in order to induce developers to seek permanent financing options from NH Housing.
 - Provide technical assistance to housing development partners.

MULTI-FAMILY ASSET MANAGEMENT POLICIES

New Hampshire Housing has asset management oversight responsibility for hundreds of assisted housing projects throughout the state. In managing this critical resource, NH Housing will:

1. Oversee management of the multi-family portfolio to ensure compliance with all applicable regulations and agreements, to mitigate financial risk, and to provide a safe and healthy environment for tenants.
2. Maintain fully funded reserves in all projects to support long-term sustainability and viability.
3. Support efforts to preserve the existing stock of assisted housing.
4. Strive to maintain the strength of the NH Housing-financed portfolio of multi-family properties as an asset of NH Housing.
5. Take a proactive approach to resolving issues within the portfolio to assure that, to the degree feasible, investments and assets are retained for public benefit.

DIRECT TENANT ASSISTANCE POLICIES

New Hampshire Housing administers a range of programs designed to provide direct assistance and services to low-income households. In administering those programs, NH Housing will:

1. Manage the Housing Choice Voucher Program (HCV) to serve the maximum number of eligible clients possible within the available federal resources.
2. Maintain an open waiting list for at least those applicants eligible for special programs or with a ranked preference in the HCV program.
3. Support counseling, education and other programs designed to assist HCV clients to become economically self-sufficient.
4. Support programs designed to improve and sustain the quality of life of HCV clients and other residents of assisted housing.
5. Make limited commitments of project-based vouchers to support housing opportunities for seniors and special needs populations.

PUBLIC LEADERSHIP POLICIES

New Hampshire Housing is the state's principal housing entity, carrying out its mission for the benefit of the people of New Hampshire. To support its mission and business goals, NH Housing will:

1. Educate the public and public officials about the state's housing conditions, including the housing needs of low- and moderate-income households, the needs of middle-income households and the need to house the labor force to support a strong economy.
2. Provide the public with access to high quality, reliable data on the state's housing needs, trends and conditions.
3. Participate in and take a leadership role in public education, advocacy and technical assistance activities designed to promote improved understanding of housing needs in the state.
4. Provide technical assistance in support of, and advocate for, legislative and regulatory policies that positively affect affordable housing opportunities.
5. Provide the public and public officials with information on the economic and social impacts of NH Housing's programs.
6. Provide high-quality, reliable information and research to real estate professionals, lenders, builders, beneficiaries, and homeowners/homebuyers on options for energy efficiency and sustainable design.

FY 2023
KEY ISSUES / ACTIONS

FINANCE & ADMINISTRATION

Ensuring that Historically Underserved Communities are Being Served

Recent events have underscored the ongoing impact of systemic racism and the impacts of governmental policy to produce disparate impacts on racial and ethnic minority populations, as well as other forms of discrimination. A purposeful and systematic approach to evaluate the effectiveness of New Hampshire Housing programs is warranted to ensure they are meeting their objectives in mission, specific legal requirements, and more general anti-discrimination imperatives.

While relevant to all NH Housing programs, this approach will be particularly important in homeownership because mortgage lending and single-family home building have been singled out among housing programs and regulation as a historical focus of discriminatory policies and actions. The result of decades of lending and occupancy discrimination is a persistent wealth gap faced particularly by people of color.

Policy Positions:

- ***Continue to research how to better serve emerging and historically underserved communities in all programs;***
- ***Seek opportunities to involve persons of color, people from the LGBTQ community, those with disabilities, and those from underserved markets in this dialog and as participants, e.g., on lender and realtor advisories; and***
- ***Enact new programs and/or change existing programs to account for and overcome historical patterns of housing discrimination.***

Overcoming Regulatory Barriers to Housing Development

Despite important advances in promoting statutory changes and public attitudes toward housing development, the local regulatory environment remains a significant barrier. Enactment of state laws on workforce housing, accessory dwelling units, and the Housing Appeals Board have been vital progress in the struggle against exclusionary local regulations, and there is widespread public acknowledgement that there is a critical shortage of available housing to purchase or rent, but much work remains to be done. Additionally, there are significant shifts underway in the office and retail work environments, potentially leaving quality structures vacant.

Staff proposes to continue to support advocacy efforts of Housing Action NH and regional coalitions, and to provide resources to communities that seek positive change. Staff also plans to analyze the potential for conversion of vacant office and retail space to residential uses and provide model regulatory measures to accommodate such change, and to continue to identify and promote statutory incentives and mandates for good local housing policy.

Policy Positions:

- ***Pursue collaborative efforts with partner agencies to examine models of converting vacant/abandoned commercial properties to residential uses;***

- **Identify and promote solutions to the barriers to rehabilitation posed by building, fire, and historic preservation codes, as well as the cost implications presented by lead paint and asbestos mitigation; and**
- **Continue to provide regional coalitions and other partners with resources to engage in advocacy communications campaigns relating to specific local policy changes.**

Cybersecurity

Cybercrime presents an ever-growing threat to NH Housing's systems and electronic information. The FBI reported that cybercrime has increased 300% since the emergence of the coronavirus pandemic and the resulting increase in having employees working remotely.

NH Housing has been tightening many aspects of security over systems by applying newly available security controls and features from vendors within its infrastructure. Recently, a 24x7 expert third-party cyber domain monitoring service was instituted.

In FY 2022 a comprehensive formal external assessment of NH Housing's information security is underway with the final report completion and implementation in FY 2023.

Policy Positions:

- **Conduct security audits and reviews at regular intervals; and**
- **Update the I.T. Strategic Plan.**

Workplace Cultural Transformation

The advent of the coronavirus pandemic necessitated a rapid shift of NH Housing's employment practices to permit and facilitate employee remote work. Similar changes were also made by other employers whose activities permitted employee remote work. This adaptation has been widely recognized as one that has been long in the making, and only accelerated by the pandemic, yet it has presented a challenge to maintain the culture of the NH Housing workplace as a team environment.

The future of NH Housing's workplace needs to be planned and designed to meet changing desires and demands from an evolving workforce. Employee expectations are changing, as are technology, safety expectations, workspace designs, and employment policies and practices. These issues need to be reviewed to prepare for future hiring and retention. Staff proposes to conduct research and gather information to inform decisions about the future workplace and necessary improvements to current Human Resources methodologies.

Policy Position:

- **Maintain flexibility and responsiveness to changing workplace needs to maintain NH Housing's position in competition for qualified employees while maintaining a commitment to appropriate client/customer service and high-quality program outcomes.**

MULTI-FAMILY HOUSING

Workforce Housing New Production

For this section, the term “workforce housing” means permanent housing, intended as a primary year-round residence that is available to households regardless of age and is best provided near places of employment.

The inadequate supply of affordable rental housing remains one of the most important issues facing New Hampshire. This challenge significantly impacts people, communities, and the economy. NH Housing’s overarching goal is to add more rental homes that serve diverse households throughout the state.

Given significant business development efforts and the clarity of housing needs, NH Housing has had success working with an array of developers (nonprofit and for-profit) on developments with various unit counts. The one-time \$25 million state appropriation to the Affordable Housing Fund will be fully allocated and will boost production. Developer inquiries and market realities demonstrate that more capital subsidy is required.

One additional source of capital subsidy will be available.

- ***Fiscal Recovery Fund of the American Rescue Plan Act (ARPA) via InvestNH.***
The State has approved \$60 million of ARPA funds for new multi-family rental production. While this commitment is promising, there are some complicating factors, including: 1) a large portion of the ARPA funds have been allocated to the NH Department of Business and Economic Affairs, with \$10 million being specifically allocated to NH Housing; and 2) using ARPA funds in LIHTC and tax-exempt bond programs creates some challenges that need to be addressed.

Finally, some of the new resources can be used for conversion of existing uses into housing, and staff will review this option.

Note: Given mission goals and funding options, some supportive housing units (discussed next) are at times included in workforce housing properties.

Policy Position:

- ***NH Housing will prioritize the development and financing of new workforce housing, including mixed-income development, using the full array of available financing resources.***

Supportive Housing Production

For this section, the term “supportive housing” means affordable housing for people and households whose lives are improved with supportive services and includes people and households:

- Who are experiencing or are at risk for homelessness;
- With substance use disorders;
- With developmental disabilities;
- Who have been impacted by domestic violence; and/or
- With intellectual or physical disabilities.

New Hampshire needs more supportive housing, and NH Housing is committed to assist in this effort. There are some specific challenges, including:

- Capital resources to encourage and support the creation of new units;
- Technical expertise to find and assemble the resources and navigate the regulatory environment to create and manage new supportive housing; and
- Resources and capacity to supply the actual services, including the long-term sustainability of the services.

NH Housing has some dedicated resources for supportive housing, including HOME-ARP (American Rescue Plan Act). These are funds (approximately \$12.5 million) that can be used in developments that serve “qualifying populations,” which includes 30-50% AMI homeless and other at-risk households.

Additionally, NH Housing has been working with partners, including the Community Development Finance Authority and the Department of Health and Human Services, to make resources more accessible and compatible. Staff is implementing new approaches to facilitate the development of supportive housing, including increased QAP points for incorporating supportive housing units in LIHTC developments. Other policy/process changes include: rolling applications; higher loan amounts; changes to matching funds requirements; use of project-based vouchers; and modifications to operating reserves policies.

Policy Positions:

- ***Include new supportive housing as a priority, including strengthened incentives and support to developers who include new supportive housing units;***
- ***Dedicate NH Housing staff to work on supportive housing; and***
- ***Engage in partnerships with other agencies to conduct outreach to identify opportunities for creating and maintaining more supportive housing.***

Preservation of Existing Housing

For this section, “preservation” means refinancing and performing capital improvements of existing affordable housing that are subject to restrictions with the goal of ensuring that housing remains used as affordable housing.

NH Housing’s focus has been and will remain on new-unit production. This policy decision aligns with the NH Council on Housing Stability’s policy of adding 13,500 new housing units over the next three years. However, there is also an increasing demand for financial resources for preservation. This demand includes projects that were financed through other programs decades ago, the mortgages for which are coming to term, or that are otherwise unable to be recapitalized through non-NH Housing resources. Without resources allocated to preservation, these projects could be converted to market-rate housing without any capital improvements. It is important to

note that this challenge of balancing the need for new units with the need to preserve existing housing will be ongoing.

Note: Staff also will review new resources, HOME-ARP and ARP Recovery Funds, to see if there is any opportunity for financing preservation.

Policy Positions:

- ***Given the limited amount of 9% tax credits, those resources will be prioritized to new production; however, NH Housing will continue to make some 9% LIHTC available for preservation;***
- ***To encourage a full review of financing options, NH Housing requires that preservation projects submit a preliminary application under both the 9% and the 4% LIHTC approaches; and***
- ***In making decisions on funding preservation projects, the focus will be on projects that are most at risk of converting to market rate or most in need of capital improvements to avoid being condemned or demolished.***

Diversification of Business Model

Due to the rather sudden and significant increase in interest rates and the related decrease in the pass-through pricing for Ginnie Mae mortgage-backed securities, the economics of NH Housing's homeownership program have changed. Whereas for many years the organization experienced positive cash flow from the acquisition and securitization of loans, continuation of the current situation is likely to require an upfront investment in several loan products to keep programs operational.

A transition to a mortgage revenue bond program may be needed to provide rate advantaged loan programs. This mortgage execution model would also require an upfront investment and consideration for future tax-exempt bond capacity limitations.

The FY 2023 budget will include an investment in loans in recognition of the current economics of the program and staff will continue to evaluate program alternatives, including a return to the mortgage revenue bond model. The cash flows for FY 2023 include a planned \$2.4 million investment in single-family loans.

Policy Position:

- ***Based on economic conditions, there may be a need to allocate funds for investments in single-family loans; and***
- ***Compare the economics of NH Housing's current executions to those in the mortgage revenue bond market to provide favorable loan products to borrowers.***

Increasing the Supply of Entry-Level Single-Family Homes

New Hampshire is experiencing trends that hinder NH Housing's target homebuyers (average income of \$70-75,000; average price \$275,000). These trends include the ongoing strength of the residential real estate market over the last several years, particularly in the past eighteen months; and a critical lack of supply relative to demand, demonstrated by historically low inventory of homes for sale and low production of new homes.

For several years, staff has researched means of spurring new single-family home production, including substantial interactions with developers, lenders, and public officials. An enduring challenge is that there is no large public subsidy for single-family development. While NH Housing could financially support some individual projects, staff's general conclusion has been that NH Housing is unlikely to have an impact on a large scale.

Despite this conclusion, there is also a desire to be agile and ready to respond if an appropriate opportunity presents to support development. In addition, it may be possible to create suitable preconditions to development by providing education to would-be developers, and to engage with municipalities that have proactive leadership to identify development opportunities.

Policy Positions:

- ***Continue efforts to support single-family new production;***
- ***Identify and research successful single-family development efforts by other housing finance agencies;***
- ***Continue to develop a strategy to work with the NH Department of Transportation regarding use of surplus lands for affordable housing development; and***
- ***Identify and pursue opportunities to work with municipalities on initiatives to support new housing development, including the use of tax-deeded properties.***

Affordability for NH Housing Borrowers

Many low- and moderate-income borrowers will get locked out of homeownership given the increase in interest rates, rising home prices and record low inventory levels. The median residential home price in New Hampshire is around \$400,000 and continues to rise. Home affordability is at an all-time low and further rate increases are expected by the Federal Reserve to curb inflation.

Given pricing dynamics, NH Housing may be unable to offer rate advantaged loan products to our potential borrowers. NH Housing anticipates a decline in mortgage volume as a result of the affordability and inventory challenges experienced around the state.

Policy Positions:

- ***Seek creative ideas to use available resources to improve affordability for low- and moderate-income homebuyers, such as expanded downpayment assistance for particular employment sectors and borrowers from socially disadvantaged groups.***

FY 2023
PROGRAM PLAN

MULTI-FAMILY NEW PRODUCTION, RECAPITALIZATION, AND PRESERVATION PROGRAMS

This section includes all of New Hampshire Housing's multi-family development programs and funding sources. Within this section, resource allocation projections and program goals are broken down into three categories: 1) new production (new units or adaptive reuse); 2) supportive housing; and 3) preservation and recapitalization of existing affordable housing. The projections of loan activity, investment of subsidies, and bond utilization are based on two primary constraints: 1) the availability of those resources; and 2) the pipeline of projects that would qualify for the resources, are financially feasible and are sufficiently ready for a commitment of NH Housing financing.

In terms of the allocation of resources, given the dynamics of the specific projects, the market and the funding sources, reallocation of resources will occur during the year, which does not require Board action. Agility is key. Significant departures from the Program Plan allocation of resources would be discussed with the Multi-Family Housing Committee. Here is an outline of the process.

- In this Program Plan, the Board approves the overall allocations based on staff's planning conclusions.
- When specific properties are ready, those projects go first to the Multi-Family Working Group and then to the Multi-Family Housing Committee and the Board for project and funding approvals.
- The Board's approvals and the guiding program documents may provide certain delegations to the staff and the Executive Director to finalize the exact deal terms, including the specific resource allocations.

This framework provides both discipline and structure along with sufficient flexibility to get projects funded.

The recapitalization and preservation category within this section includes financing programs that NH Housing uses to preserve existing affordable housing, extend affordability covenants and fund property repairs and improvements. Program tools that are used for this purpose include tax-exempt bond financing, 4% Low-Income Housing Tax Credits (LIHTC), and a small percentage of the state's annual allocation of 9% LIHTCs.

Note: See table below for funding and measures plan.

FY 2023 Program Plan Narrative

Resource allocation projections and program goals for FY 2023 are generally consistent with the program activity of the last several years. In FY 2022, in addition to \$5 million that has been allocated annually to the Affordable Housing Fund in recent years, NH Housing received a one-time allocation of \$25 million, and 50% of that was included in the FY 2022 Program Plan. During FY 2022, nearly all of the \$25 million was committed or reserved to projects. In FY 2023, it is expected that funding levels will be similar to FY 2022 levels with two additional resources playing a significant role: 1) HOME Investment Partnerships American Rescue Plan Program (HOME-ARP) funds (approximately \$12.5 million); and 2) the InvestNH \$10 million allocation to NH Housing. Please see below for more detail.

The real estate development industry continues to face extraordinary challenges, including: 1) surging construction costs; 2) persistent material delays and shortages; 3) continuing labor shortages; and 4) significantly rising interest rates. As in FY 2022, NH Housing must remain agile and responsive to continue to support strong rental production. Nonetheless, the exact level of production is unknown given the challenges.

InvestNH

In May 2022, the NH Executive Council approved the InvestNH program, a \$100 million housing plan to address the need for more housing. Money for this program comes from the Coronavirus State and Local Fiscal Recovery Fund, authorized in the American Rescue Plan Act (ARPA).

Included in InvestNH is a \$60 million capital grant program for rental housing production, with \$10 million of these funds allocated to NH Housing for use in its programs. Federal law requires the funds to be obligated by the end of 2024 and fully spent by the end of 2026. Staff is working with the Department of Business and Economic Affairs (BEA) to: 1) define the program parameters for the NH Housing allocation; and 2) determine how other projects seeking InvestNH funds can access those funds directly from BEA.

There are some challenges with using InvestNH funds in LIHTC projects because of limitations in ARPA. Federal legislation has been introduced to remedy those issues.⁽¹⁾ In the absence of such a fix, deals will have to be structured to work under the current legislation. One such structure would require pairing non-ARPA money with the ARPA funds.

HOME-ARP

In March 2021, HOME-ARP funding was allocated to the HOME Investment Partnerships program through ARPA. This appropriation provided for \$13.8 million in additional HOME funds, which must be spent to serve specific “qualifying populations,” including homeless, at risk of homelessness, and fleeing or attempting to flee domestic violence. These funds must: 1) be spent by September 2030; and 2) be used for the creation of rental housing or noncongregate shelters and for supportive services within supportive rental housing. The Department of Housing and Urban Development approved the State’s NH HOME-ARP Allocation Plan on March 21, 2022.

Although \$2 million was included in the program plan in FY 2022, none of the funds have yet been committed. The FY 2023 plan forecasts that the majority of the funds allocated to this program will be committed by the end of FY 2023.

⁽¹⁾ Long-term Investment in Neighborhood Excellence (LIFELINE) Act of 2022

Multi-Family New Production and Preservation Program

RESOURCES <i>(\$ in Thousands)</i>	FY 2022								FY 2023			
	Tax Exempt Bonds		9% LIHTC Competitive		Supportive Housing		Totals		Tax Exempt Bonds	9% LIHTC Competitive	Supportive Housing	Totals
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Plan	Plan	Plan
Long-Term Debt												
Private Activity Bonds	\$50,000	\$61,090	\$0	\$0	\$0	\$0	\$50,000	\$61,090	\$75,000	\$0	\$0	\$75,000
Operating Fund	\$0	\$0	\$1,000	\$0	\$0	\$0	\$1,000	\$0	\$0	\$0	\$0	\$0
Loan Participations	\$0	\$0	\$5,000	\$0	\$0	\$0	\$5,000	\$0	\$10,000*	\$5,000	\$0	\$15,000
Low-Income Housing Tax Credit (LIHTC)												
4% Equity Raised	\$25,000	\$40,202	\$0	\$0	\$0	\$0	\$25,000	\$40,202	\$40,000	\$0	\$0	\$40,000
9% Equity Raised	\$0	\$0	\$40,000	\$39,900	0	\$0	\$40,000	\$39,900	\$0	\$40,000	\$0	\$40,000
Capital Subsidies												
HOME	\$3,500	\$2,500	\$1,681	\$800	\$0	\$0	\$5,181	\$3,300	\$4,400	\$1,400	\$0	\$5,800
Operating Fund	\$1,000	\$0	\$0	\$0	\$1,000**	\$507	\$2,000**	\$507	\$0	\$0	\$0	\$0
Affordable Housing Fund	\$13,700**	\$17,040	\$2,000**	\$0	\$4,500**	\$1,500	\$20,200**	\$18,540	\$7,450	\$1,000	\$1,800	\$10,250
Housing Trust Fund	\$1,000	\$1,000	\$1,350	\$350	\$1,800	\$1,250	\$4,150	\$2,600	\$1,000	\$1,000	\$1,400	\$3,400
HOME ARP	\$0	\$0	\$0	\$0	\$2,000	\$0	\$2,000	\$0	\$7,690	\$0	\$3,000	\$10,690
Invest NH	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000	\$5,000	\$0	\$10,000
PROGRAM MEASURES												
Targeting												
New Production Units	410**	337	235**	61	55**	55	700	453	600	275	30	905
Preservation Units	100**	91	50	101	0	16	150	208	150	50	10	210
Projects	7	6	7	3	7	2	21	11	7	7	4	18
Units at or below <60% AMI	70%	100%	70%	93%	90%	100%	70%	98%	70%	70%	90%	77%
General Occupancy Units	70%	64%	70%	100%	70%	100%	70%	88%	70%	70%	70%	70%
Occupancy												
% of Projects >95% Occupied	95%	99%	95%	99%	95%	99%	95%	99%	95%	95%	95%	95%
Performance												
% of Projects on Watch List	<10%	6%	<10%	6%	<10%	6%	<10%	6%	<10%	<10%	<10%	<10%
% of Projects on Critical Watch List	<2%	<1%	<2%	<1%	<2%	<1%	<2%	<1%	<2%	<2%	<2%	<2%

*Includes Federal Financing Bank loans that are not part of bond transactions.

**Includes mid-year adjustments allocated by the Board.

FY 2023 / Management & Development Division

CONSTRUCTION/BRIDGE LENDING PROGRAM

This program provides construction financing for NH Housing financed, multi-family projects. In addition, funds may be used for equity bridge loans to encourage and maximize the impact of investment in Low-Income Housing Tax Credit projects. The Tax-Exempt Bonds number in this forecast reflects the short-term debt associated with bond-financed projects and is generally a part of a much larger financing package.

Construction/Bridge Lending Program

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
<i>Total</i>	\$30,000	\$9,102	\$15,000
Tax-Exempt Bonds	\$10,000	\$0	\$0
Operating Funds/Line of Credit	\$20,000	\$9,102	\$15,000

FY 2023 Program Narrative

Construction and bridge loans continue to be one of many tools used for the creation of new affordable housing.

In prior years, below-market interest rates made possible by the Federal Home Loan Bank of Boston's Helping to House New England (HHNE) program helped borrowers balance their development budgets in the face of rising construction costs. Though the volume of HHNE funding has decreased, approximately \$100,000 remains available to be used to reduce interest costs or to reduce the costs of bond issuance. It is expected that another \$100,000 will be made available to NH Housing in December 2022.

LEAD HAZARD ABATEMENT PROGRAM

On a statewide basis, this program provides lead hazard abatement funds and Healthy Homes intervention funds to single-family and multi-family owners. Priority is given to units with: (1) a documented case of a child under the age of six having elevated blood lead levels; or (2) a pregnant woman residing in the property.

Lead Hazard Abatement Program

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
Operating Fund	\$100	\$0	\$125
State Lead Funds	\$1,000	\$1,318	\$1,000
Federal Funds	\$1,381	\$1,417	\$1,727
<u>PROGRAM MEASURES</u>			
Inspections / Risk Assessments	80	139	77
Units Completed	65	87	61
Community Outreach Events	25	20	35
Skills Training	30	125	30

FY 2023 Program Narrative

NH Housing's sixth federal grant cycle continues in FY 2023 with \$2,959,000 in federal funds, which may be used through July 2024. In 2019, the New Hampshire Legislature created the Lead Hazard Remediation Fund (RSA 204-C:88-92) and appropriated \$3 million. Those funds have been fully obligated. In the 2022 session, the Legislature has appropriated an additional \$3 million (SB 371, pending signature by the Governor). These state funds supplement the federal grant programs, enabling the completion of more lead remediation in single-family and multi-family properties.

Notes:

- The state lead funds are available throughout the state. All applicants, however, must first seek federal lead funds, which depends on the property's location. Generally, property owners will apply to NH Housing for federal funds, except owners in Manchester, Nashua, and Sullivan County must first apply to those localities.
- While single-family homes are more expensive on a per-project basis, they often house larger families. Therefore, doing lead remediation on single-family homes is critical to combatting childhood lead poisoning across the state.

PERFORMANCE BASED CONTRACT ADMINISTRATION (PBCA)

NH Housing is the HUD-designated Contract Administrator for New Hampshire. There are currently 147 projects under the PBCA contract with a total of 5,755 units.

As the Contract Administrator, NH Housing is directly responsible to HUD for all PBCA program functions and reporting requirements, including:

- Providing general program oversight and administration;
- Conducting management and occupancy reviews;
- Adjusting contract rents;
- Processing monthly Housing Assistance Payments (HAP);
- Processing HAP contract renewals, terminations and/or opt-outs; and
- Responding to health and safety issues.

Performance Based Contract Administration (PBCA)

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
Federal Funds – Rent Assistance	\$53,500	\$60,500	\$61,120
<u>PROGRAM MEASURES</u>			
Complete Management Occupancy Review	95%	100%	95%
Review and Pay Monthly Vouchers	95%	100%	95%
HAP Contract Renewals, Terminations, and Expirations	95%	99%	95%

FY 2023 Program Narrative

NH Housing is committed to remaining a strong performer of the PBCA contract. Staff works to ensure that HUD’s Annual Compliance Review continues to acknowledge NH Housing’s strong and successful performance.

NH Housing’s administration of the PBCA program in FY 2023 will be very different than what has been done since the contract was signed in 2000, as the pandemic changed the way NH Housing staff administer this important contract. More file reviews will be completed remotely rather than on-site. These file reviews are done to ensure that these rent-subsidized properties benefited qualified residents and that the property managers’ policies and practices conformed to applicable law and HUD regulations. HUD has not finalized the permanency of remote file review process but has stated they intend to address it soon.

HUD continues to discuss its longstanding plans to re-procure PBCA services across the country and has recently stated it will address it by the end of this calendar year. Staff continues to monitor for any indication that HUD is moving forward with these plans.

SECTION 811 PROJECT RENTAL ASSISTANCE

The federal Section 811 Supportive Housing for Persons with Disabilities Project Rental Assistance Program (811 PRA) is a partnership between NH Housing and the New Hampshire Department of Health and Human Services. The program provides project-based rental assistance to property owners and developers that provide rental opportunities for persons with a disability who are transitioning from institutional settings or homelessness into permanent housing.

Section 811 Project Rental Assistance (PRA)

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
Federal Funds – Rent Assistance	\$1,000	\$1,545	\$1,500
<u>PROGRAM MEASURES</u>			
Complete Management Occupancy Review	6	16	9
Number of New Units Under Contract	30	20	25

FY 2023 Program Narrative

The 811 PRA Program provides long-term project-based rental assistance at affordable housing properties owned and operated by NH Housing’s multi-family housing partners. The program is administered through a partnership between NH Housing and the Department of Health and Human Services (DHHS) to provide persons with severe mental illness affordable, supportive housing. NH Housing works with property owners to commit units to the program and administers the voucher payments. DHHS refers eligible applicants to vacant units throughout the state. To date, 203 units are under contract and 21 additional units in new projects have been committed for a total of 224 units. Currently, 141 of those units are occupied by individuals or families receiving support through the 811 PRA Program.

Recognizing that there are not as many uncommitted units remaining that are eligible and suitable for the program, the FY 2023 goal is 25 new 811 PRA units under contract. If that goal is achieved, the total number of units under contract through this program will be 249, which would be well in excess of the 191 units originally projected based on the grant amount.

HOME FLEX (GINNIE MAE MBS) & HOME PREFERRED (FANNIE MAE) MORTGAGE PROGRAMS

Mortgages are purchased from participating lenders and originators (collectively “lenders”) and processed through one of two loan programs.

1. **Ginnie Mae (“Home Flex”)**: Government-backed mortgages that are pooled into taxable Ginnie Mae Mortgage-Backed Securities (MBS), which NH Housing sells to MBS investors.
2. **Fannie Mae (“Home Preferred”)**: Conventional loans with mortgage insurance that are sold loan-by-loan to Fannie Mae.

Both programs include cash assistance options, and both programs generate funds in the secondary market that in turn fund loans and cash assistance. Due to its HFA status, NH Housing can offer unique *Home Flex* and *Home Preferred* loan programs.

Home Flex GNMA MBS Program

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
Mortgage Purchases	\$170,000	\$218,800	\$190,500
<u>PROGRAM MEASURES (\$ In Thousands)</u>			
Loan Purchases	685	810	635
Average Beneficiary Income	80% SMI	76% SMI	80% SMI
Average Loan Amount	\$250	\$270	\$300

Home Preferred FNMA Program

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
Mortgage Purchases	\$82,000	\$80,700	\$54,000
<u>PROGRAM MEASURES (\$ In Thousands)</u>			
Loan Purchases	365	325	215
Average Beneficiary Income	80% SMI	72% SMI	80% SMI
Average Loan Amount	\$225	\$248	\$250

FY 2023 Program Narrative

NH Housing will continue to offer a suite of residential mortgage programs that are consistent with its mission and with prudent business practices. These homeownership programs leverage advantages that are provided to state housing finance agencies (HFAs). NH Housing's cash assistance programs – Home *Flex* Plus and Home *Preferred* Plus – rely on program guidelines from the Federal Housing Administration (FHA) and Fannie Mae. Programs are always subject to revision, sometimes positively and sometimes negatively. Being alert and agile, therefore, remain key principles.

This work will be conducted through two distinct business channels – Participating Lender (lenders sell NH Housing a closed loan) and Participating Originator (lender takes the loan application and NH Housing underwrites and closes the loan). NH Housing, which remains committed to the Participating Lender Channel, has been focusing on increasing the volume of the Participating Originator Channel, which allows NH Housing to work with community banks in more rural communities while diversifying the business model.

In setting the FY 2023 loan volume goals, Homeownership and Finance looked at projected market conditions, reviewed program criteria, analyzed financial options, surveyed lenders, and spoke with real estate professionals. In terms of the real estate market, all partners agree that low- and moderate-income homebuyers will continue to face a very difficult market. The market challenges that were present in FY 2022 will persist and possibly heighten in FY 2023, namely lack of affordable inventory, rising home prices and increased interest rates.

For the past decade, NH Housing has relied on secondary market financing executions through Ginnie Mae and Fannie Mae to fund its mortgage programs. Until January 2022, these executions worked well in terms of profitability, competitive interest rates and liquidity. Due to changes in market pricing, a transition to a mortgage revenue bond (MRB) model is expected in order to maintain competitive interest rates and keep cash assistance programs operational. Staff is analyzing the economics of a mortgage revenue bond program but has not included MRB assumptions due to timing uncertainty.

As with the prior fiscal year, staff will work to meet volume goals. Staff will also remain vigilant about staying up to date on the housing market, the mortgage market and the regulatory requirements and will take steps to respond to those factors with the goal of continuing to assist eligible borrowers while generating financial returns for NH Housing's larger mission.

HOMEBUYER TAX CREDIT (HBTC)

The Homebuyer Tax Credit (HBTC) Program makes homeownership more affordable for first-time homebuyers. Eligible homebuyers receive a Mortgage Credit Certificate (MCC) from NH Housing that provides an annual federal income tax credit of up to \$2,000. The HBTC may be claimed each year for the life of the original mortgage, as long as the homebuyer uses the home as their primary residence. The HBTC can decrease the income taxes owed by the homebuyer, effectively increasing take-home pay that can be used to help pay the mortgage. It is one of NH Housing’s key mission-based programs that provides significant benefits to low- and moderate-income first-time homebuyers. It is important to note that the Homebuyer Tax Credit Program utilizes NH Housing’s bond issuance authority and is unable to be partnered with a mortgage revenue bond mortgage program.

Homebuyer Tax Credit

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
Tax-Exempt Bond Capacity	\$35,000	\$36,300	\$29,000
<u>PROGRAM MEASURES</u>			
MCCs Issued	575	570	450

FY 2023 Program Narrative

In FY 2023 staff estimates approximately 450 homebuyers will receive an MCC, collectively providing nearly \$900,000 in reduced income tax liability for MCC holders during the first full year of ownership. The number of MCCs tracks a percentage of the loan volume, and the reasons that impact loan volume also impact MCC volume. Staff continues to see what can be done to increase the MCC volume so more eligible borrowers get this resource. The challenge remains that Treasury requirements are cumbersome and somewhat complex.

A transition to a mortgage revenue bond model would impact MCC issuance as these loans are not eligible for the Homebuyer Tax Credit Program.

SPECIAL HOMEOWNERSHIP PROGRAMS

Special Homeownership Programs complement the core homeownership programs by providing funds for eligible borrowers based on their needs and circumstances. Additionally, these programs provide flexibility to create special initiatives and address new issues and opportunities that directly relate to NH Housing’s homeownership mission.

Special Homeownership Programs

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
<i>Housing Loan Trust (HLT)</i>			
Habitat Loans	\$75	\$45	\$75
Housing Loan Trust Initiatives	\$450	\$108	\$135
Habitat Repair Program	\$0	\$80	\$160
<i>Operating Fund</i>			
Emergency Home Repair Loans (EHRL)	\$100	\$72	\$150
Special Initiatives	\$175	\$175	\$125
Accessibility Program	\$250*	\$250	\$250
HOPE3	\$0	\$0	\$30
Community Heroes Initiative	\$510	\$510	\$0
Recovered Cash Assistance Initiatives	\$850*	\$600	\$0
Special Homeownership Programs	\$0	\$0	\$300
Program Marketing and Promotion	\$450	\$450	\$350
First-Generation Homebuyer Downpayment Assistance	\$0	\$0	\$300
<u>PROGRAM MEASURES</u>			
Habitat Loans Closed	5	3	5
Average Beneficiary Income	60% SMI	50% SMI	60% SMI
EHRL Loans Closed	8	4	10
Average Beneficiary Income	80% SMI	64% SMI	80% SMI

**Includes mid-year adjustments allocated by the Board*

FY 2023 Program Narrative

Habitat Loans (\$75,000 plan)

NH Housing works with Habitat for Humanity affiliates to make homeownership possible for low- and moderate-income borrowers by providing \$15,000 in downpayment assistance. Habitat affiliates choose the homebuyer and then work with the homebuyer as they construct their new home. Once the home is completed, NH Housing uses Housing Loan Trust (HLT) funds to provide homebuyers with a zero percent, non-amortizing, second mortgage loan, which is due on sale, refinance, or when the property is no longer owner-occupied. Volume varies based on the activity of the Habitat affiliates.

Housing Loan Trust (HLT) Initiatives (\$135,000 plan)

HLT funds are state-provided funds that are governed by RSA 204-C:64-70. The funds can be used for downpayment assistance, closing costs, other fees associated with a home purchase, or to assist with eligible improvements to a home. Staff periodically make HLT allocations to nonprofit partners for targeted downpayment assistance programs. In FY 2023, staff may seek to allocate HLT resources for downpayment assistance funds to affordable housing developers to help make the homes more affordable. Additionally, funds may continue to be requested to help Housing Choice Voucher homeowners perform repairs on their homes.

Habitat Repair Program (\$160,000 plan)

NH Housing will work with Habitat for Humanity affiliates to fund repairs for low- and moderate-income homeowners by providing up to \$20,000 in the form of a second loan. Habitat affiliates identify the homeowner and coordinate the repair efforts relying heavily on a volunteer pool and homeowner sweat equity. NH Housing uses Housing Loan Trust (HLT) funds to provide homebuyers with a zero percent, non-amortizing, second mortgage loan, which is due on sale, refinance, or when the property is no longer owner-occupied. This program will be extended to all Habitat affiliates throughout New Hampshire.

Emergency Home Repair Loans (EHRL) (\$150,000 plan)

The Emergency Home Repair Loan (EHRL) program uses NH Housing-generated funds to provide low-interest loans for emergency home repairs to existing NH Housing borrowers. Typical EHRL repairs are new roofs, heating system replacements, and septic repairs. Homeownership and Servicing work together to address borrower needs because staff do not want an emergency to thwart continued ownership. Individual EHRL loans have a maximum loan amount of \$25,000. The demand for EHRL varies by year.

Special Initiatives (\$125,000 plan)

Traditionally, the Board has allocated Special Initiative funds that allow staff to creatively respond to and support mission-based affordable housing programs outside of our traditional mortgage programs. In the past, these Special Initiative funds have been allocated to provide grants to support in-fill manufactured housing, the Homeownership Fellows program (\$45,000), which is expected to return in FY 2023, and other programs that support affordable homeownership. Other than the funding for the Homeownership Fellows, for which a specific amount is included here, staff will present proposed uses of these funds to the Homeownership Committee and the Board for approval.

Accessibility Program (\$250,000 plan)

NH Housing will continue to work with Granite State Independent Living (GSIL) to provide need-based, accessible, home improvement grants to homeowners in need of accessibility modifications and repairs. GSIL evaluates applicants, determines accessibility needs, leverages NH Housing funds with other GSIL funds, and oversees the work. This initiative has been a highly successful partnership for NH Housing, GSIL, and the people who need accessibility improvements.

Typical projects include ramps, stair glides, door widening, and bathroom and/or kitchen modifications that enhance accessibility. Vendors and contractors providing construction and repair services for this program must have GSIL's approval. Between 50 to 60 households will be served through this program in FY 2023.

HOPE 3 (\$30,000 plan)

Working through the Participating Originator channel, this program was designed to provide first-time homebuyers with a discounted interest rate on their mortgage. To qualify for the Home Preferred HOPE 3 program, borrowers must be at or below 80% of AMI, adjusted for family size, and a first-time homebuyer.

Special Homeownership Program (\$300,000 plan)

The State of New Hampshire and the Federal government do not provide consistent cash resources to help low- to moderate-income homebuyers. The MCC Program and NH Housing's cash assistance programs help. Yet, low- and moderate-income homebuyers often need additional resources to buy a home. This initiative will create targeted and temporary initiatives to help low- to moderate-income homebuyers. Possible uses for these funds include support to communities of color, underserved areas, or a narrowly focused version of the Community Heroes Initiative to include veterans and underpaid yet important professions such as schoolteachers and daycare workers. Staff will present proposed uses of these funds to the Homeownership Committee and the Board for approval.

Program Marketing and Promotions (\$350,000 plan)

NH Housing runs various homeownership programs including mortgage loans, cash assistance, and Mortgage Credit Certificates (MCC). To help run these programs, NH Housing allocates marketing and promotions resources to complement business development strategies for the various programs. Marketing and promotions resources include marketing efforts to lenders, real estate professionals (e.g., Realtors®), nonprofit partners and borrowers.

In FY 2023, staff will continue to implement a comprehensive business development plan, including the following goals.

- Implement increased outreach and marketing of our Homeownership Programs to all communities, including underserved communities and communities of color throughout New Hampshire.
- Continue to utilize, update, and enhance Customer Relationship Management (CRM) software as an effective tool to engage with and track business partner relationships.
- Increase the role that the Participating Originator (PO) channel plays within the Homeownership Division's loan volume goals.

First-Generation Homebuyer Downpayment Assistance (\$300,000 plan)

In FY 2023 staff will seek to implement a targeted downpayment assistance program to reach homebuyers that come from households where they are the first generation to purchase a home. A first-generation homebuyer is defined as a person who does not, nor has in the past owned a home; and their parents and/or legal guardian have never owned a home.

Homeownership is the primary strategy for individuals and families to build long-term household wealth. By supporting first-generation homebuyers, NH Housing will provide a hand to those who may not have access to generational wealth and/or familial capital around homeownership.

Staff will seek to develop mortgage program criteria and a comprehensive homebuyer education curriculum, which may include partnering with housing nonprofits to help first-generation homebuyers become successful homeowners. Downpayment assistance may be provided as a matched savings program similar to an Individual Development Account (IDA) program.

HOMEBUYER/HOMEOWNER EDUCATION AND COUNSELING (HBEC)

This program provides resources to nonprofits so they may provide homebuyers and homeowners with pre- and post-purchase education and counseling services. This work is coordinated with NH Housing's role as intermediary of the HUD counseling funds discussed on the following page.

Homebuyer/Homeowner Education and Counseling

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
<i>Operating Fund</i>			
Education and Counseling	\$230*	\$230	\$230
Community Building and Engagement	\$100	\$100	\$100
<u>PROGRAM MEASURES</u>			
Number of Counseling Related Positions	4	4	4.5
Homebuyers/Homeowners Counseled**	1,120	1,893	1,400

* Includes mid-year adjustments allocated by the Board.

** Estimated households represent all pre-purchase and post-purchase counseled households, including numbers reported to HUD. These numbers do not include households that receive rental or HECM (reverse mortgage) counseling. Also includes a mid-year adjustment allocated by the Board.

FY 2023 Program Narrative

Homeownership Education and Counseling (\$230,000)

The FY 2023 Housing Counseling allocation will provide housing counseling agencies with resources to respond to counseling needs in their communities. Staff has considered other additional federal funds that are available such as housing counseling funded through the Homeowner Assistance Fund, which is part of the American Rescue Plan and HUD's Comprehensive Housing Counseling Program Grant.

The core education and counseling goals are to:

- Provide statewide comprehensive homebuyer education and counseling, including foreclosure counseling and financial fitness counseling, which may include rental counseling.
- Encourage and enhance the counselors' relationships with lenders, real estate partners, and employers to educate those partners about the value of counseling and about the value of NH Housing's homeownership programs.
- Provide outreach to the public about the value of counseling and NH Housing's homeownership programs by providing direct education to pre-purchase households, encouraging participation in regional homebuyer fairs, and being part of other targeted marketing efforts.

In addition to supporting HBEC, NH Housing will support 211 NH, which provides intake and referral services for HBEC and for Granite State residents who have other housing challenges.

Community Building and Engagement (\$100,000)

New Hampshire Housing is committed to serving all residents of the Granite State. To fulfill this commitment staff will seek new ways to increase the diversity of people served by our homeownership programs and housing counseling initiatives.

To increase the financial success of underserved communities (including low-income households, new American households, and socially disadvantaged individuals and communities) homeownership staff will work with NeighborWorks Southern New Hampshire to provide enhanced counseling services and outreach which will include, at a minimum, the following:

- On-the-ground Community Navigator assistance, as defined by the New Hampshire Emergency Rental Assistance and Homeowner Assistance Fund programs;
- Financial capabilities empowerment education and counseling; and
- Community building and engagement activities, including direct outreach and engagement with organizations and key contacts that directly work within underserved communities in NH.

HUD HOUSING COUNSELING PROGRAM

New Hampshire Housing administers HUD’s Comprehensive Housing Counseling Program Grant for Local Housing Counseling Agencies. The grant supports pre- and post-purchase counseling activities for homeownership as well as targeted homeownership counseling for Housing Choice Voucher participants. The program is conducted through nonprofit housing counseling agencies and NH Housing.

HUD Housing Counseling Program

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
HUD Housing Counseling Grant	\$200	\$204	\$200
<u>PROGRAM MEASURES</u>			
# Participating Housing Counseling Agencies and Branches	8	5	5
# Households Receiving Homeownership Education and/or Counseling	1,100	1,368	1,100
# Households Receiving Rental Counseling and/or Financial Education	1,200	1,240	1,200
# Households Receiving Post-Purchase and/or Foreclosure Counseling	350	161	350
% Households Below 50% of AMI	60%	73%	60%
% Households Purchasing Homes	5%	3%	5%

FY 2023 Program Narrative

It is anticipated that the FY 2022 HUD Comprehensive Housing Counseling Program funding will be at a similar level to the FY 2021 HUD funding.

Despite high housing costs, low- and moderate-income households continue to seek opportunities for homeownership and housing counseling continues to help them understand their challenges and goals. As a result of the pandemic, many of the local housing counseling agencies took their programs virtual and this transition was well received by the public. While some housing counseling agencies are now starting to offer live, in-person classes, most are continuing to offer virtual services.

As a result of the foreclosure moratorium during the pandemic, FY 2022 saw a lower-than-expected number of pre-foreclosure households counseled. During FY 2023, with the launch of the Homeowner Assistance Fund and lifting of the foreclosure moratorium, pre-foreclosure counseling is expected to increase significantly.

SMALL-SCALE HOUSING PRODUCTION

This program is designed to provide a flexible resource to assist in the production of new single-family and small-scale multi-family housing units. These funds would enable NH Housing to help developers produce more units, including “incremental units,” and assist homebuyers in buying new units.

Small-Scale Housing Production

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
<i>Operating Fund</i>			
Housing Production	\$5,000*	\$727	\$3,000
Small-Scale Developer Workshop & Bootcamp	\$10	\$0	\$25
<i>Affordable Housing Fund</i>			
Housing Production	\$1,000*	\$0	\$0
<u>PROGRAM MEASURES</u>			
Housing Units Created	100	4	50

**Revised mid-year*

FY 2023 Program Narrative

While NH Housing has had substantial success in financing the development of large multi-family projects, an enduring challenge is that there is no public subsidy for single-family and small-scale multi-family development. Yet those options may represent a substantial opportunity to help meet the state’s housing shortage. There is a need for creative approaches to facilitate “incremental development,” which means adding units within or adjacent to existing homes, or infill development in existing neighborhoods on vacant lots. Supporting incremental and infill development could help ensure that new development makes use of existing municipal infrastructure, strengthening the local tax base and avoiding blight that could occur as other real estate sectors continue to face significant uncertainty.

Establishment of a flexible funding program that targets small-scale development would allow NH Housing to respond to innovative proposals from developers, property owners, municipalities and others that are facing financial and other barriers to fulfilling their housing development objectives. Some of these barriers include the impact of local land-use regulations, the uncertainty of obtaining local approvals, the lack of public water and/or sewer, the high cost of land and materials, transaction costs, and limitations of conventional financing.

Housing Production (\$3,000,000)

Possible program uses may include the following:

- Acquiring surplus land from the New Hampshire Department of Transportation and other owners and then working with an appropriate developer to build new units on that land.
- Seeking infill opportunities to place new manufactured homes in resident-owned communities. Vacant pads represent an opportunity to increase the supply of affordable homes as well as a mortgage lending opportunity for NH Housing.
- Providing housing development subsidies to support the feasibility of new construction units targeted for workforce housing.
- Exploring financing vehicles for accessory dwelling units and for converting a single-family home into a multi-unit property.
- Continuing to advance initiatives that encourage new developments, including creating suitable preconditions to development by providing education to would-be developers, and engaging with municipalities that have proactive leadership to identify development opportunities.
- Financing minor improvements to public infrastructure, where a property owner or developer faces financial or other barriers to utilization.
- Providing downpayment assistance and other direct assistance to support housing purchases within new developments.
- Providing technical assistance to help developers and municipal staff evaluate the adaptive reuse of vacant commercial space for residential uses.

Funds would be made as grants or loans, depending on specific circumstances. Projects will include underwriting to control risk. Staff will seek Board approval for awards of \$20,000 and above.

Up to five percent of funds could be used for consultants to help design and administer programs.

Small-Scale Developer Workshop & Bootcamp (\$25,000)

Workshops and bootcamp courses will be made available to interested beginner and/or small housing developers looking to increase the supply of housing. Courses will be designed to increase knowledge, build developer capacity, and provide technical skills to those interested in housing development. Participants will be encouraged to bring their development ideas to the courses to discuss real project challenges.

HOUSING CHOICE VOUCHER (HCV) PROGRAM

This federally funded program enables very low-income households to obtain safe, decent, affordable housing. The qualified household pays a portion of their adjusted income toward rent and utilities, and NH Housing pays the rest directly to the landlord. The HCV program is operated on a calendar year basis.

Housing Choice Voucher Program

	CY 2021		CY 2022
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
HUD – Calendar Year Funding (CY)	\$39,040	\$40,597	\$37,879
<u>PROGRAM MEASURES</u>			
Total Vouchers Administered*	4,025	3,876	3,766
Administer Program within per Unit Cost (PUC) (CY)	\$832	\$822	\$860
% Leased within HUD Budget (CY)**	98%	96%	98%
Section 8 Management Assessment Program (SEMAP) Score (FY)	90%	N/A***	N/A
HUD Electronic Submissions - % Submitted	95%	100%	95%

* CY monthly average

** CY Unit Months Leased/Unit Months Available

*** Waived by HUD

CY 2022 Program Narrative

In addition to the 3,766 Housing Choice Vouchers, NH Housing also administers 340 Mainstream Vouchers and 120 Emergency Housing Vouchers for a total of 4,226 vouchers. The HUD CY 2022 Plan above reports the budget and program measures for only the Housing Choice Voucher program as program measures vary by program. The budgets are sufficient to support the participants in all three programs. Staff will continue to make project-based vouchers available for homeless individuals and other targeted populations funded with HOME-ARP and Housing Trust Funds.

FAMILY SELF SUFFICIENCY (FSS) LOAN AND GRANT PROGRAM

This program provides small loans and grants for transportation and/or other items or services which enhance employability and increase earned income of participants in the Family Self Sufficiency (FSS) program.

FSS Loan and Grant Program

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
Operating Funds	\$30	\$30	\$40
<u>PROGRAM MEASURES</u>			
Number of Grants Awarded	70	50	70
Number of Loans	0	0	0
Number of Homeowners Receiving Home Repair Grants		N/A	080

FY 2023 Program Narrative

The FSS Loan and Grant program effectively assists HCV clients in reducing barriers to increasing their earned income and moving toward self-sufficiency. Program resources will be used for computers, education, and employment-related expenses like dental work, licenses, auto repairs/maintenance and other transportation needs.

This year, all FSS grant funds were exhausted by May 2022. As a result, we have established a waiting list as we anticipate additional funds going forward. The majority of funds utilized (61%) were for auto repairs and other transportation needs. Other funds (21%) that directly impacted employment were for education, dental, licenses, etc., and (18%) was needed for computers.

Over the past four years, we have steadily increased our FSS caseload to 200 participants. With this increase in caseloads coupled with additional financial and employment activities between coaches and participants, additional resources will be needed. Also, the organization that once supplied FSS participants with \$300 refurbished computers ceased operations in August 2021, therefore, participants now have to spend \$500-\$700 on a suitable computer.

Because of the increase in FSS activity, the need for additional resources, and the higher cost of computers, a small increase is being requested.

LANDLORD INCENTIVE PROGRAM (LIP)

This program is designed to provide a landlord incentive, or sign-on bonus, to encourage landlord acceptance of vouchers, build and develop landlord relationships, and improve the voucher holder's ability to lease up.

Landlord Incentive Program

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
Operating Funds*	\$150	\$150	\$100
NH Emergency Rental Assistance Program (NHERAP) 2 Admin Fees			\$600
<u>PROGRAM MEASURES</u>			
% FYI and FUP youth vouchers leased	90%	44%	90%
# of New Participating Landlords in FYI Program (only)		7	--
Total Number of Households Assisted (FYI/FUP)	50	100 (14)	--

* Includes mid-year adjustment allocated by the Board.

FY 2023 Program Narrative

NH Housing proposes to use its available NHERAP 2 administrative fee revenue to support the following activities:

- Housing Search Assistance will be made available to households during their initial housing search.
- Security deposit assistance
- Landlord incentives or sign-on bonuses

The Family Unification Program (FUP) and Foster Youth to Independence (FYI) Housing Choice Voucher program assist young adults (18-24 years old) who are at risk of homelessness and who have left the foster care system without a home to go to.

For households participating in the Housing Choice Voucher (HCV), especially FYI and FUP youth, the ability to secure housing and use their voucher depends on the willingness of landlords to accept vouchers. The low rental vacancy rate and high rental costs make finding housing difficult for many HCV holders. As a result, voucher holders are at a severe disadvantage and may have few available housing options.

Landlords who rent to an FYI or FUP youth voucher holder will receive a sign-on bonus of \$1,000 for every new FYI or FUP youth lease and Housing Assistance Payments contract. Landlords can receive more than one bonus. All other landlords who are new to the HCV program

will receive \$1,000 for every new unit leased and \$500 for every unit re-rented to a voucher participant.

The unit must meet Housing Quality Standards and other program requirements. Funds will be disbursed upon tenant move-in and will require a one-year minimum lease and execution of the HAP contract.

HOUSING AWARENESS RESEARCH AND ADVOCACY

This program supports an array of critical education tools designed to improve public understanding of New Hampshire’s housing challenges and encourage actions at the local, regional, and state levels to help expand the supply of housing available to all of New Hampshire’s people.

Housing Research Awareness and Advocacy

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
Operating Funds	\$505	\$411	\$395
<u>PROGRAM USES (\$ In Thousands)</u>			
Mini Conferences and Events	\$20	\$20	\$20
Housing Related Studies	\$125	\$125	\$125
Housing Partnership Grants	\$200	\$118	\$200
Education for Local Governmental Bodies	\$25	\$13	\$25
Housing Needs Assessment	\$35	\$35	\$0
Communications Toolkit for Housing Advocacy	\$50	\$50	\$25
Housing Data Dashboard	\$50	\$50	\$0

FY 2023 Program Narrative

Webinars/Seminars on Housing Topics (\$20,000 plan)

Webinars, seminars, and conferences have become a way for NH Housing to make housing issues and advocacy topics more available to our various audiences. Over the past two years, the ability to host or sponsor a webinar – and have it recorded at no additional cost – has provided a means for NH Housing to support discussion and ideas on housing policy matters. This approach has proven to be a means of making education and advocacy more accessible to a wider audience. Programs in FY 2023 will continue to be virtual events on topics of interest, with possible in-person events as circumstances allow. Possible topics for FY 2023 include economics of development, local regulatory changes to accommodate small-scale incremental development, and economics and demographics. This format also allows for co-branding and co-sponsorship of events developed by partner organizations.

Housing Related Studies (\$125,000 plan)

The opportunity to conduct various housing related studies throughout the year allows NH Housing to be a leader in providing information on housing related issues. Among the topics that could be explored include the impact of the short-term rental market on housing supply and affordability, updating information on the impact of new residential development on schools, and analyzing the impact of affordable housing development on the values of surrounding properties.

Housing Partnership Grants (\$200,000 plan)

The use of Housing Partnership Grants will focus on the advocacy activities that are carried out by existing NH Housing partners as well as create opportunities for new ones. This program supports new or existing organizations, or programs within established nonprofit organizations, that wish to focus efforts on education and advocacy regarding housing issues, including communications campaigns for local regulatory change. The grants provide flexible funding that meets the needs of a potentially diverse mix of providers. For-profit organizations and housing development organizations are not eligible for funding. Municipalities are eligible only for Mini Grants. Grants may not be used to conduct regional housing needs assessments.

The Partnership Grant Program has three components of funding:

- **Mini Grants** up to \$5,000 are available to support the housing education and advocacy efforts of local business groups, local economic development groups, regional economic development groups, local and regional ad hoc groups, business and community leaders, local governments, local service organizations, business owners, and nonprofit organizations. Eligible activities include funding technical assistance to explore housing-friendly land use regulations and may also be used for groups to research the feasibility of starting a local or regional housing advocacy initiative, which may include strategic planning efforts.
- **Advocacy Incubator Grants** are one-time-only grants with no matching funds required. Primary activities must include efforts to promote an adequate and balanced housing supply at the local and/or regional level and educate the general public and public officials about the relationship between housing and the regional economy. Grantees will be eligible for annual Advocacy Impact Grants (below) after the first year of operation.
 - Grants of up to \$50,000 are available to nonprofit economic development or community development organizations that propose to establish a workforce housing education and advocacy program, or start-up organizations whose primary mission is workforce housing education and advocacy. Organizations must have been established for more than three years and must commit to maintaining the program for at least three additional years.
 - Grants of up to \$20,000 are available to help fund the start-up of new housing education and advocacy organizations.
- **Advocacy Impact Grants** of up to \$40,000 are available to nonprofit economic development or community development organizations that have workforce housing education and advocacy programs, or nonprofit organizations whose primary mission is workforce housing education and advocacy. Organizations must be established for at least one year and 50% matching funds are required. These organizations will be eligible for additional funding based on annual reviews.

Funds would be distributed across the components as needed, allowing for some flexibility during the program year. Staff will seek Finance and Administration Committee approvals for awards of \$20,000 and above, and full Board approval for awards of \$40,000 and above.

Education for Local Governmental Bodies (\$25,000 plan)

Staff will work with partners, such as the Office of Planning and Development, the New Hampshire Municipal Association, Center for Ethics in Society at Saint Anselm College, and others to enhance training opportunities, such as offering webinars, and recruiting and securing trainers and national speakers.

Communications Toolkit for Housing Advocacy (\$25,000 plan)

Staff continues to work with partners to build and manage a library of housing-related testimonials, profiles and stories in written, photographic and video formats regarding the need for, and success of, certain state housing policies (e.g., the workforce housing law, the ADU law, housing coalition successes, etc.).

This project will continue to capture these stories on video and other media with the intention of using and distributing them widely for a variety of purposes – stand-alone video shorts, clips for social media, posting on the NHHousing.org website, advertising, sharing with partners, including in presentations, etc. Staff will work with partners to identify people and organizations who are willing to share their stories. A video services company could be hired to shoot, edit, and format video as directed.

This project will also include videos to break down complex subjects to foster easier community-based discussion and understanding and will include development of associated or free-standing infographics on the same or similar topics.

OTHER GRANTS & SUBSIDIES

This allocation funds various small grants in support of general affordable housing activities that the Board of Directors may choose to approve during the fiscal year.

Other Grants /Subsidies

	FY 2022		FY 2023
	Plan	Actual	Plan
<u>RESOURCES (\$ In Thousands)</u>			
Operating Funds	\$245	\$166	\$175
<u>PROGRAM USES (\$ In Thousands)</u>			
Resident Education and Assistance Program – Seacoast Mental Health	\$72	\$72	\$72
Municipal Technical Assistance Grant Program	\$25	\$19	\$0
Housing Action New Hampshire	\$20	\$25	\$25
Harvey Schwartz Housing Policy Education Fund	\$10	\$2	\$10
William H. Craig Fellowship	\$8	\$8	\$8
Center for Ethics in Society	\$40	\$40	\$40
Housing Resources of NH	\$50	\$0	\$0
Other	\$20	\$0	\$20

FY 2023 Program Narrative

Municipal Technical Assistance Grant Program (MTAG) (\$0 plan)

For the next 2-3 years, MTAG will be on hiatus as staff administers the InvestNH Planning and Zoning Grant Program under agreement with the NH Department of Business and Economic Affairs.

Center for Ethics in Society (CES) (\$40,000 plan)

CES at Saint Anselm College will be awarded the first installment of a new three-year grant for its “The Housing We Need” initiative. This program will continue to focus on educating community decision-makers and others about the ways in which affordable housing can enhance their communities, as well as to coordinate the development of the NH Zoning Atlas and to undertake a program seeking to diversify the membership of local land use boards.



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As a self-supporting public corporation created by the state legislature, New Hampshire Housing Finance Authority promotes, finances, and supports affordable housing.