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May 30, 2013

Mr. Robert Craycraft, Chairman
Town of New Durham Planning Board
P. O. Box 207
New Durham, NH 03855

Re: Workforce Housing

Dear Mr. Craycraft:

This letter report summarizes my review of home prices and housing development characteristics in New Durham and the availability of housing affordable to “workforce” households as defined by NH RSA 674: 58 to 61 (the “Workforce Housing Statute”). The scope of this analysis was limited to homeownership units, and does not compliance issues with respect to multifamily housing opportunities. The primary data sources for this analysis were the U. S. Census, the Town’s assessment data base, and data on primary home sales from the NH Housing Finance Authority.

A. Characteristics of Housing Stock

In 2010, New Durham had 1,014 resident households, of which 91% were homeowners and 9% were renters. The 2010 Census count showed 1,523 housing units in New Durham, of which 29% are held for seasonal or recreational use. There is some indication from Census trends that seasonal units are being converted to year round occupancy.

Table 1

New Durham Population Households and Housing Stock							
Demographic Factor	U. S. Census 100% Counts				Change by Decade		
	1980	1990	2000	2010	1980-90	1990-00	2000-2010
Population	1,183	1,974	2,220	2,638	791	246	418
Average Household Size	2.77	2.87	2.71	2.60	0.10	(0.16)	(0.11)
Households	427	688	819	1,014	261	131	195
Homeowners	378	603	740	923	225	137	183
Renters	49	85	70	91	36	(15)	21
% of Households Homeowners	88.5%	87.6%	90.4%	91.0%			
% of Households Renters	11.5%	12.4%	9.6%	9.0%			
Total Housing Units	984	1,231	1,309	1,523	247	78	214
Vacant Seasonal/Rec Use	n.a.	489	460	446	n.a.	(29)	(14)
% Vacant or Seasonal	n.a.	39.7%	35.1%	29.3%			

B. Analysis of Assessment Data

1. General Characteristics

Since workforce housing centers on affordable opportunities for primary residences, the analysis of home values and prices must consider the differences between year round and seasonal homes. The data in Table 2 below was compiled by cross-tabulating data from the Town's property assessment information. Using this data, we estimate a total of 1,573 housing units as of 2013. There are an estimated 476 waterfront units (30% of the total). The average assessed valuation of all non-waterfront units is \$192,316 versus an average valuation of \$365,595 for housing on waterfront parcels.

The data shows 1,097 non-waterfront units, of which 839 (76%) are owned by a party with a New Durham mailing address.¹ For the purpose of focusing on primary residence homes, more detailed analysis was focused on the single family homes (740) and manufactured housing units (85) with New Durham owner addresses.

The typical locally-owned single family home has 1,657 square feet of living area, 3 bedrooms and 1 and ½ baths, with an assessed value of just under \$207,000. The median value of manufactured housing (which includes land) in New Durham is about \$102,000 per unit. The most recent NH Department of Revenue equalization study (2011) shows New Durham assessments at 100% of estimated market value.

Table 2

Type of Unit and Ownership	Housing Units	Averages Per Dwelling Unit				
		Assessed Value *	Living Area	Acres	Bedrooms	Baths
NON-WATERFRONT						
Owner Address New Durham						
Single Fam Detached	740	\$206,674	1,657	7.16	2.8	1.6
Multi Houses 2+ Family Units	15	\$109,107	1,365	1.93	2.2	1.1
Manufactured Housing	85	\$102,129	1,109	5.25	2.3	1.3
Owner Address Out of Town						
Single Fam Detached	228	\$192,901	1,319	9.21	2.5	1.4
Multi Houses 2+ Family Units	10	\$213,730	1,267	1.88	1.8	1.3
Manufactured Housing	19	\$83,958	937	4.38	2.2	1.3
Total Non-Waterfront	1,097	\$192,316	1,524	7.27	2.6	1.5
WATERFRONT						
Owner Address New Durham						
Single Fam Detached	125	\$379,421	1,496	2.72	2.4	1.6
Owner Address Out of Town						
Single Fam Detached	351	\$360,671	1,130	0.78	2.4	1.3
Total Waterfront	476	\$365,595	1,226	1.29	2.4	1.3
All Housing Units	1,573	\$244,751	1,434	5.46	2.6	1.5
*Most recent NHDRAs survey (2011) shows New Durham assessments at 100% equalization rate.						

*Most recent NHDRA survey (2011) shows New Durham assessments at 100% equalization rate.

2. Single Family Homes – Values by Lot Size

The average locally owned single family home in New Durham is situated on a 7-acre parcel. (See Table 3.) This average lot size is not necessarily indicative of regulatory constraints, as some parcels may not be fully developed, and may be capable of further subdivision. Current zoning regulations require soil-based lot sizing, and gross acreage may be greater than the usable portions of a parcel. Other factors influencing lot size are builder and consumer preferences which may favor larger lots in rural markets.

¹ It is possible that some of the non-waterfront units with an out of town owner address are held for occasional use, are rented out, or are owned by a resident of the Town who uses a postal mailing address other than New Durham.

Table 3

SINGLE FAMILY HOMES BY PARCEL LAND AREA - NON-WATERFRONT UNITS WITH LOCAL OWNERS				
Parcel Size	Housing Units	Per Unit Averages		
		Living Area	Assessed Valuation	Parcel Acres
Less than 1 acre	133	1,295	\$159,608	0.50
1 to 1.99 acres	112	1,598	\$198,143	1.55
2 to 2.99 acres	87	1,802	\$217,076	2.44
3 to 4.99 acres	138	1,750	\$219,065	3.78
5 to 9.99 acres	164	1,679	\$212,586	5.99
10 acres or More	106	1,899	\$240,927	31.56
Total	740	1,657	\$206,674	7.16
On Lots < 2 Acres	245	1,434	\$177,224	0.98
On Lots 2 to 5 Acres	225	1,771	\$218,296	3.26
On Lots Over 5 Acres	270	1,765	\$223,712	16.02

Discussion of affordable housing needs often centers on the assumption that larger lot sizes and low densities automatically necessitate higher home prices and diminished affordability. But this is not always evident in rural communities.

In New Durham the 740 single family homes in the sample are about equally divided between lots under 2 acres, lots of 2-5 acres, and lots over 5 acres. The smallest lots do show smaller home sizes and a lower assessed valuation. However, the living area of homes and the assessed values per unit for homes on larger lots are not proportionately greater in relation to the increased lot size. For example, the home size and assessed values are about the same for lots of 2-5 acres (average of 3.26) as they are for lots over 5 acres (average of 16).

3. Lot Size and Living Area by Year Built

The trend in the size of single family homes and average parcel size is shown in Table 4. The locally owned single family homes that are of newer construction (built 2000 or later) have an average lot size of about 7 acres, the same as the overall Town average for homes of all ages. (See Table 4.)

Table 4

SINGLE FAMILY HOMES BY PARCEL LAND AREA (NON- WATERFRONT UNITS WITH LOCAL OWNERS)				
Year Built	Housing Units	Per Unit Averages		
		Living Area	Assessed Valuation	Parcel Acres
Prior to 1950	120	1,590	\$171,300	11.91
1950s	12	1,256	\$169,608	11.67
1960s	28	1,300	\$163,768	6.05
1970s	75	1,573	\$187,958	7.14
1980s	191	1,528	\$200,879	4.79
1990s	84	1,633	\$222,922	5.68
2000 or Later	230	1,900	\$237,268	7.11
Total	740	1,657	\$206,674	7.16

The newer homes (built 2000 or later) have an average living area of 1,900 square feet, which is about 15% higher than the Town average. Average lot size for the newer units is the same as the Town average. Assessed value per home for the newer units is also about 15% higher than the Town average. This suggests that the valuation differential for the newer units is more related to the size of the home, which is a function of consumer choice or builder preference for larger homes, rather than a consequence of large lot sizes.

4. Affordability to Workforce Households

The affordability of the local housing stock can be measured indirectly using the assessment data. Table 5 compares median and average values for all 740 locally owned single family units in New Durham to the most recently constructed homes built in the last 10 years (2003 or later). According to the workforce price maximums estimated by the NH Housing Finance Authority for the region that includes New Durham, homes priced at \$291,000 or less would be affordable to workforce homeowner households ² in 2013.

Table 5

Assessed Valuation of Locally Owned Single Family Homes (Non-Waterfront)		
Type of Unit and Value Measure	All Units	Built 2003 or Later
Workforce Price Maximum 2013	\$291,000	\$291,000
SINGLE FAMILY UNITS		
Number of Housing Units	740	173
Average Assessed Valuation	\$206,674	\$232,463
Median Assessed Valuation	\$199,600	\$231,400
Units with Value below Workforce Max	675	146
Percent of Units within Workforce Max	91.2%	84.4%
MANUFACTURED HOUSING *		
Number of Housing Units	85	5
Average Assessed Valuation	\$102,129	\$144,100
Median Assessed Valuation	\$97,400	\$154,300
Units with Value below Workforce Max	85	5
Percent of Units within Workforce Max	100.0%	100.0%
TOTAL NON-WATERFONT, LOCAL OWNER	825	178
Number Below Workforce Max	760	151
Percent of Units within Workforce Max	92%	85%
<i>* Manufactured units are on owned sites (not in parks or leased land)</i>		

The data show that 91% of the locally owned single family homes and 100% of the manufactured housing units in New Durham have assessed (market) values in 2013 that are at or below the affordability standard for homeowners. For the newer homes constructed in the last 10 years, 84% of single family homes and 100% of the manufactured homes would meet this test.

C. Analysis of Sale Prices of Primary Homes

1. Median Price Trend – Town and Regions

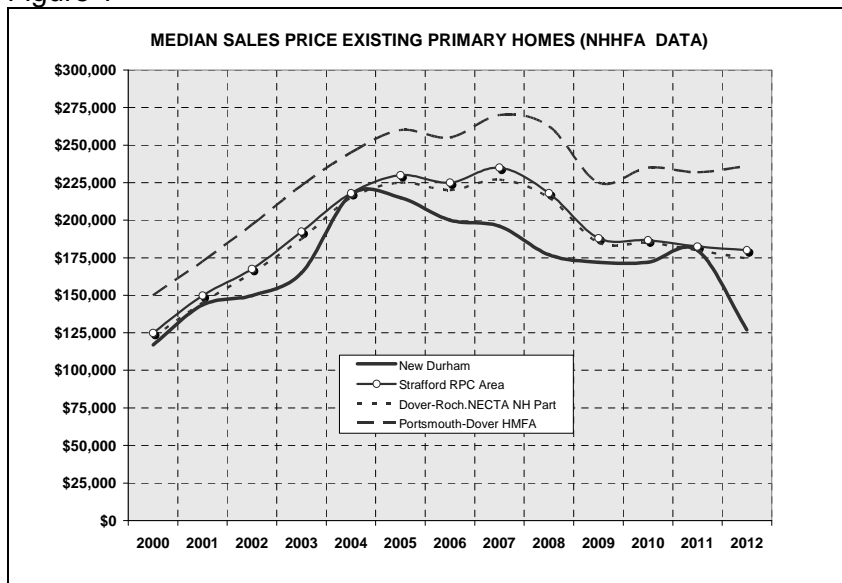
Since the assessed values for the housing stock are not necessarily representative of the homes that are actually being bought and sold, BCM Planning also reviewed available data from the NH Housing Finance Authority on actual home sales. The NHHFA sales data includes only those sales which have been verified as homes purchased for use as a *primary residence*.

Based on the history of primary home sales recorded by NHHFA, the median price of primary homes sold in New Durham has been consistently lower than the median price within the regions of which it is a part:

² NHHFA estimates these prices based on statutory standard that defines workforce homeowners at 100% of the area median family income for a family of four. For the Portsmouth-Rochester HMFA of which New Durham is a part, the maximum affordable workforce price for the area is \$291,000 and maximum workforce gross rent is \$1,130 per month (2013).

the Strafford Regional Planning Commission (SRPC) area, the Dover-Rochester metro area (NECTA), and the larger Portsmouth-Rochester HMFA.³

Figure 1



2. Sales Price Distribution in New Durham

In Table 6 below, the estimated portion of primary home sales with prices at or below the workforce standard is shown for 2008-2012. The NHHFA began computing workforce price guidelines in 2008 after passage of the workforce housing legislation. BCM Planning reviewed detailed sales data from the NHHFA records by price range to determine what share of sales occurred at or below the applicable workforce price standard in each year. Sales data represents NHHFA information as of April 30, 2013. Because of the lag time in recording transfers, there were only two months of sales information available for 2013 (Jan-Feb) and a very small number of sales. Therefore, 2013 data was not included here.

Table 6

ANALYSIS OF PRIMARY HOME SALES - NEW DURHAM					
Year	Workforce Maximum Price	Primary Home Sales	Median Price Primary Home Sales New Durham	Number Sold At Price Under Workforce Maximum	% Below Workforce Price
2008	\$236,000	19	\$176,900	13	68.4%
2009	\$244,000	17	\$172,000	11	64.7%
2010	\$261,000	23	\$172,000	21	91.3%
2011	\$270,000	25	\$179,900	22	88.0%
2012	\$277,000	36	\$126,900	29	80.6%
Period Total		120		96	80.0%

Source of data: NHHFA home purchase price data base (confirmed sales of homes for use as a primary residence)

³ NECTA means New England City and Town Area, a geographic unit that centers on smaller urban centers or "micropolitan" areas, also used as Labor Market Areas by NH Employment Security. HMFA stands for HUD Metro FMR Area, which represents the area for which HUD computes standards for its estimated fair market rent (FMRs) for government housing programs. The HMFA areas are also used by the NHHFA to define applicable workforce price guidelines for the region. New Durham is part of the Portsmouth-Rochester HMFA.

Over the five year period 2008-2012, there were 120 confirmed sales of existing primary homes, of which 80% were sold at a price considered affordable to workforce homeowners. Actual sales data supports the indicators from the valuation-based analysis: that the vast majority of homes sold or potentially available to prospective purchasers in New Durham are affordable to the workforce.

D. Summary and Conclusions

If there are any local regulatory practices that inhibit the creation of workforce ownership units in New Durham, it is not evident from the distribution of home values or from the actual sale prices of existing primary homes. Under present market conditions, it does not appear that New Durham is likely to face a challenge relative to the capacity to develop workforce ownership units as single family homes.

In the 2009 Regional Housing Needs Assessment prepared for the SRPC by BCM Planning, it was estimated that to maintain an affordable housing supply for the region, about 50% of new ownership units should be priced at levels affordable at 100% of Area Median Family Income (AMFI) which is the "workforce" standard.

Over the past five years, at least 80% of the primary home sales in New Durham were affordable to workforce households as defined in the relevant statute. Similarly, the assessed valuation data for single family homes constructed over the 10 past years indicates that about 84% of primary homes would have market values affordable to the workforce if they were to be sold.

The workforce statute is primarily intended to assure reasonable opportunities for the *future* accommodation of workforce housing. A retrospective view of sales and market values is only an indirect indicator of these opportunities. The statute does not mandate actual production of any particular quantity or share of the region's workforce units. However, the capacity to create workforce housing of some type must be allowed within a majority of the residentially zoned land in the community.

But to comply with RSA 674:58-61, workforce opportunities must also include capability of building multifamily structures (including opportunities to construct buildings *with at least five units*). BCM Planning has not reviewed the relevant land use regulations in New Durham relating to multifamily development. However, New Durham has no condominium units (which are often built as multifamily structures), and rental housing represents only 9% of local occupied units.

My recommendation is that the Board, if it has not done so already, examine its development regulations to determine whether reasonable opportunities are enabled for multifamily housing development.

I hope that this analysis is helpful as the Town reviews its land use policies relative to the workforce housing guidelines.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Bruce Mayberry", written in a cursive style.

Bruce C. Mayberry, Principal
BCM Planning, LLC