Senate Ways and Means Committee

Sonja Caldwell 271-2117

HB 154-LOCAL, relative to community revitalization tax relief incentives.

Hearing Date: April 12, 2021

Members of the Committee Present: Senators Giuda, D'Allesandro, Daniels, Hennessey and Rosenwald

Members of the Committee Absent : None

Bill Analysis: This bill enables municipalities to offer community revitalization tax incentives for the construction of additional housing in designated areas. The bill also revises the criteria for assistance from the affordable housing fund administered by the housing finance authority.

Sponsors:

Rep. Conley	Rep. Vann	Rep. Grassie
Rep. Andrew Bouldin	Rep. Cleaver	Sen. Watters

Who supports the bill: Rep. Casey Conley, Ben Frost (NH Housing), Peggy Gilmour (Greater Nashua Chamber of Commerce), David Bates, Elizabeth Fenner-Lukaitis, Natch Greyes, Sen. Watters

Who opposes the bill: Eric Pauer, Andrew Wallace

Who is neutral on the bill: No one

Summary of testimony presented:

Rep. Conley

- This bill would broaden existing community development incentives under RSA79E with the goal of promoting new affordable housing development.
- The existing statute already lets cities or towns offer time limited and targeted property tax incentives for development in a downtown area. It requires approval from local governing body.
- This bill intends to further incentivize housing in communities that choose to use it by allowing them to use it anywhere within a municipal boundary.
- It also extends the maximum term of the incentive from 9 to 10 years.
- Developments would qualify for the incentive only if 1/3 of new units built are reserved for affordable housing.
- In Dover, they have a new 130 unit building downtown built using this program. They are also renovating a vacant courthouse. It has been used creatively with developers.

- Municipalities can decide for themselves where they want to use these benefits. Using them outside of downtown could have lower development costs.

Sen. Rosenwald asked why the effective date is April 1, 2022.
Rep. Conley said there was no reason for that, and it can be changed by the committee.
Sen. Daniels asked about the 10 years.
Rep. Conley said there are negotiated agreements between a developer and a municipality. Under the provisions in this bill, if you meet the criteria, you would be allowed up to 10 years of this tax incentive.
Sen. Daniels questioned why we would have any restrictions if this were enabling.
Rep. Conley thought that was a fair question. It is in keeping with the spirit of the existing law, which has time constraints. He agrees that if a municipality wants to extend it beyond 10 years, they should be allowed to do so.

Ben Frost – NHHFA

- They support the bill.
- This is important enabling legislation for municipalities interested in promoting affordable housing development in their communities.
- 59 communities have adopted the provisions of RSA79E, which allows municipalities to provide this tax incentive for development of downtowns.
- Recognizing the power of this tool, this expands the statute for other uses. Being able to expand RSA79E for affordable housing anywhere in a community would be helpful.
- We do not have enough housing in the state to meet demand. By one estimate there is a 20,000-unit shortage to meet current demand. Beyond that, they are looking for additional housing to promote the growth of our economy.
- Sections one and two of the bill deal with the expansion of the housing opportunity zone.
- Sections three and four deal with the affordable housing fund. This would change income targeting associated with the state's affordable housing trust fund. The fund was established in 1988 by the legislature and it is administered on behalf of the state by NHHFA to promote development of low-income affordable housing.
- Over the years, the legislature has made appropriations totaling $23 million to the fund, which is almost totally allocated to projects right now. They financed 85 projects with over 2,000 housing units all over the state.
- The affordable housing fund is an important gap filler when it comes to the financing of projects. It is the most flexible source of financing and capital that they have available to them at NH Housing.
- Since the fund was created in 1988, the income targeting associated with the statute does not fit the programs available to them now. This bill retargets and establishes new income targeting that comports with federal financing programs they use. Having consistent income targeting from one source of financing to another will make administration and compliance simpler.
- The effective date is because April 1st is the beginning of the municipal tax year.

Sen. Rosenwald noted that if it were not effective until April, it could not go before a governing body before then. She understands why the programs would start with the municipal tax year, but there is work to do before the tax assessment relief and other financing would move forward.

Mr. Frost agreed with that. A local legislative body would not be able to act on this until that effective date. It would be March of 2023 before they could utilize this. He added that there is no need to associate sections three and four with the municipal tax date. Sooner would be better.
Sen. Daniels asked if the money that comes out of the affordable housing fund goes out as a loan.
Mr. Frost said yes. These are non-amortizing, non-interest-bearing loans. They live with the project until something happens, such as the period of affordability runs out or the property is sold. That is when the loan would get repaid.
Sen. Daniels said the program has been in effect since 1988 and with all the money circulating back in, he asked at what point does fund become self-sufficient.
Mr. Frost said there is an extraordinary need for housing development in the state. There is a need for capital for development that is affordable for people of lower incomes. It depends upon the year and the circumstances of each project, but they might get one million dollars a year coming back into the fund. It does not go that far.
Sen. Daniels asked about the income levels in parts three and four, particularly the gross amount of income from a family, explaining that often you have children moving in and out of parent's homes, and he asked how they would determine whether to include someone's income or not.
Mr. Frost said they would look at the family income at the time they are applying for occupancy of a unit. That would be done on an ongoing basis. You might have mixed development where half the units are market rate and half are affordable. If one of the families that initially qualified for an affordable unit now had an income over the qualifying level, they would employ the "next available unit rule." The family would continue to live in that unit, but from a bookkeeping standpoint it would be converted to a market rate unit and then next market-rate unit that is available would be converted to an affordable unit.
Sen. Daniels asked if someone were approved and qualified for low-income housing and then a family member moved in, at the next check, would that throw someone off the list.
Mr. Frost said no, it is done only on an annual basis. They would continue to occupy the unit, but it would be converted to a market rate unit and the next market rate unit that becomes available would be converted to an affordable unit.
Sen. Hennessey asked if the tax relief incentives are just from the municipal tax side of things.
Mr. Frost said yes. It does not apply to the state education property tax.
Sen. Hennessey asked if it applies to county taxes.
Mr. Frost said it does apply to county taxes and local education taxes.
Sen. Hennessey asked if he knows historically if that is why the ten-year cap was put in.
Mr. Frost said it was 15 years ago, but it might have been part of the original draft of RSA79E. There are people concerned about municipal tax revenue and they do not want to offer unlimited tax relief.
Sen. D'Allesandro asked what the rationale was for the significant changes in sections three and four, particularly adding the category "persons of very low income."
Mr. Frost said this is done to be consistent with other sources of federal financing, particularly tax-exempt bonds. The unit count in section four is from federal tax law.
Sen. Giuda asked if he was aware of any such tax benefits looking forward for elderly assisted living facilities.
Mr. Frost said there is a provision, but he does not have it. It deals with taxation of elderly congregate care facilities.

sc
Date Hearing Report completed: April 13, 2021