

Senate Finance Committee

Deb Martone 271-4980

SB 454-FN, increasing the annual real estate transfer tax revenue contribution to the affordable housing fund.

Hearing Date: January 9, 2024

Time Opened: 1:01 p.m.

Time Closed: 1:29 p.m.

Members of the Committee Present: Senators Gray, Innis, Bradley, Birdsell, D'Allesandro and Rosenwald

Members of the Committee Absent: Senator Pearl

Bill Analysis: This bill increases the amount of annual real estate transfer tax revenues which are transferred to the affordable housing fund.

Sponsors:

Sen. Innis

Sen. Watters

Sen. Gendreau

Sen. Perkins Kwoka

Sen. Bradley

Sen. Altschiller

Sen. Soucy

Sen. Carson

Sen. Rosenwald

Sen. Ward

Sen. Chandley

Rep. Emerick

Who supports the bill: Senators Innis, Perkins Kwoka, Watters, Soucy, Rosenwald, Altschiller and Carson; Carmen Lorentz; Joanie McIntire; Michael Apfelberg; Rebecca White; Elissa Margolin; Dave Juvet; Robert Tourigny; Rob Dapice; Ben Frost; Periklis Karoutas; Forrest Beaudoin-Friede; Janet Lucas; Kimberley Holt; Barbara Liscord; Louise Spencer; Hannah Bissex; Ruth Perencevich; Wendy Hunt; Laurie Koch; Kerstin Cornell; A. Thomas.

Who opposes the bill: Representative T. Lekas; Neal Kurk; Jim McConnell; Donald McFarlane; Daniel Richardson.

Summary of testimony presented in support:

Senator Innis, Prime Sponsor:

- This bill makes a minor but significant change for affordable housing. Last year the Legislature took some bold steps to address the housing issue.
- Housing is affecting our business community, the ability to hire staff, and the ability of young people to get started in our state at the beginning of their career.
- This bill directs the State Treasurer to change the amount of money allocated to affordable housing from the Real Estate Transfer Tax from \$5 million to \$10 million.

- Per Senators Bradley and Carson, finding affordable housing is not only a challenge for New Hampshire families, but an obstacle to our state's wellbeing. Building more affordable workforce housing is critical, as well as supporting programs to combat homelessness.
- It is the right thing to do.

Senator Perkins Kwoka, District 21:

- This item came up during budget discussions last year.
- Our housing market and its health is directly related to the revenue side of the Real Estate Transfer Tax. With the low vacancy rate--below one percent statewide--we have residents unable to transition into right-size housing. We want to ensure there is enough housing stock for everyone.

Mike Apfelberg, President, United Way of Greater Nashua:

- Mr. Apfelberg recently researched "Zillow" for rental housing in Nashua. The least expensive rental unit in Nashua presently, as a 2-bedroom unit, is \$1600 per month. It's virtually impossible for people to afford that, if it's even available.
- This type of fund that stimulates investment into these public/private partnerships that create housing is really critical.

Rebecca White, Hanover Co-op Food Stores:

- In 2018, faced with the severe housing issue the Hanover Co-op joined with neighboring businesses to create and capitalize a nearly \$10 million revolving loan fund. Today, the Upper Valley Loan Fund is helping to bring 240 affordable housing units into our communities. These homes and projects otherwise would have likely faltered or folded during the dramatic interest rate peaks of the last 3 years.
- Lack of housing options is the Number One priority and concern for Granite Staters. What better way to have these funds working for New Hampshire and our communities than through the Affordable Housing Fund. This revolving loan fund model will benefit the diversity of housing stock through work with nonprofit and traditional developers, from affordable workforce housing to smaller scale infill development that will revitalize downtowns. And importantly, create vibrant communities of dense housing for seniors to downsize into, releasing single family houses back into the market.
- HB 45FN continues the work that was started in 2019 with the bipartisan approval of an annual allocation from the Real Estate Transfer Tax to the Affordable Loan Fund.

Carmen Lorentz, Executive Director, Lakes Region Community Developers:

- Ms. Lorentz' group has developed affordable housing communities all throughout the Lakes Region.
- This bill is a great way to continue forward progress in investing in affordable housing, and having an ongoing healthy revenue stream going into the Affordable Housing Fund is important for organizations like the Lakes Region Community Developers, who work very closely with New Hampshire Housing to put together financing packages to build affordable housing.
- They have benefitted from the Affordable Housing Fund over the years. It has helped them build low income housing tax credits, finance developments, as well

as putting together financing for supportive housing for very low income individuals with complex needs.

Elissa Margolin, Director, Housing Action NH:

- Housing Action NH is grateful to the Senate Finance Committee and the New Hampshire Senate for its recognition of the adverse impacts of the housing crisis on New Hampshire families and businesses, and their track record of doing something about it.
- Increasing the allocation will not increase any taxation or fees on real estate transactions. Unlike many other states which fund their trust fund through a fee, New Hampshire avoids this by taking a "carve-out" approach. This helps with the predictability of financing. This helps support a more robust housing marketplace. We've seen popularity with these financing tools, and developers will be open to including more affordable units in their projects, and providing diversification of the housing stock we need.
- Recent polling has demonstrated that housing is viewed as the Number One issue for New Hampshire families and businesses. This shift is likely connected to the very real impacts of the affordable housing shortage: workforce shortages in every sector, including essential services; disincentives for business growth; barriers for young families to call New Hampshire home; challenges for housing choice for retirees; debilitating financial impacts on lower income families; and a growth in the number of people, including children and older adults, who are experiencing homelessness.
- It took a number of factors and years of under development to land us in a housing crisis, and it will, unfortunately, take years to overcome. However, we can't expect the resulting stock to be more affordable to our workforce without the right type of financing tools.

Robert Tourigny, NeighborWorks:

- NeighborWorks has been in the business of building affordable housing for the last 40 years. They've built over 500 available rental apartments in their region, and literally have helped thousands of first-time home buyers to own a home.
- Creating affordable housing has never been easy. You need to find a reasonably priced piece of land with adequate infrastructure and sufficient density to create a product that is affordable.
- NeighborWorks utilizes financing from New Hampshire Housing, local banks, New Hampshire Housing Authority and other sources to put those resources together to make the end product affordable.
- These days it takes more to make affordable housing happen, such as a much deeper layer of subsidy to make the numbers work for the project, to enable affordable rents and prices to consumers earning less than the area median income.
- Due to rising interest rates and continuing high construction costs, increasing this carve-out will help make this challenge a possibility.

Rob Dapice, Executive Director/CEO, New Hampshire Housing:

- New Hampshire Housing is the administrator and steward of the Affordable Housing Fund. The fund is a revolving fund and an essential tool for the

creation of affordable housing, workforce housing and supportive housing across the state.

- In the past, historic investments have been made to the Affordable Housing Fund. This fund has been used to create new housing for various populations and income levels. As the housing comes on line, it helps to improve neighborhoods, improve health outcomes, improve work readiness among New Hampshire residents, and decrease homelessness and housing instability brought on by the housing crisis.
- Affordable Housing Fund financing is made available through the allocation of federal housing tax credits. It leverages state dollars in a range of 7-12 federal and private investment dollars for every state dollar used. It is designed not to fund the entire project.
- The Affordable Housing Fund has fewer strings attached to it than many of the federal funding sources. Therefore, it allows greater flexibility in funding for people with mental illness, developmental disabilities, substance use disorders and other special needs.
- New Hampshire Housing is required by statute to furnish an annual report to House and Senate Leadership and the Governor. It lists all projects under development and other metrics which measure the program's activities.
- The fund is overseen by a Board of Directors appointed by the Governor and approved by the Executive Council.
- All properties financed by the Affordable Housing Fund are affordable for at least 20 years. Depending on the other funding sources used in conjunction, affordability periods of 30, 60 and sometimes 99 years later are more common.
- Senator Rosenwald inquired as to how much is leveraged for every \$1 of the fund. Executive Director Dapice indicated it ranges from \$7-\$12 in a combination of federal funds, private investments and local banks.

Joanie McIntire, Current President, NH Association of Realtors:

- The median sale price of a single-family home in 2023 was \$470,000, up 7 percent from 2022. For a condo the price was \$380,000, up 10 percent. Those prices are simply not affordable for most New Hampshire workers.
- The New Hampshire Affordability Index is at 66, meaning the median income in the state is only 66 percent of what it takes to buy a median single-family home. This is an abysmal number. In a healthy market we would see an index in excess of 120.
- Too many New Hampshire families and workers are effectively locked out of the housing market.
- Realtors realize dollars from the Affordable Housing Fund are more likely to go to multi-family apartments than single-family homes. However, New Hampshire needs to take a multi-faceted approach. We need apartments, single-family homes, condos and manufactured housing. It needs to be an all inclusive approach to housing.
- Realtors believe it is entirely appropriate for a portion of the Real Estate Transfer Tax to be guaranteed for the New Hampshire Affordable Housing Fund. The nexus between real estate taxes and housing is self-evident. There is some caution and concern, however. New Hampshire already has one of the

highest statewide transfer taxes in the country. Realtors would vigorously oppose any further attempts to increase the real estate transfer tax to satisfy this funding. They would be equally concerned if efforts were made to dictate transfer tax receipts to funding not directly related to the expansion of housing opportunities in this state.

- While federal and state appropriations are critically important to expanding affordable housing options in our state, this proposal will not come close to solving the housing crisis. The only way that can be accomplished is by expanding private and public property rights in this state, and empowering the private sector to do what they have always done--meet the demands by creating more supply.

Summary of testimony presented in opposition:

Neal Kurk, Director, Granite State Taxpayers:

- Granite State Taxpayers oppose SB 454-FN due to the timing and nature of the bill. The bill is a tax expenditure. It takes money from a revenue source and diverts it to an expenditure without going through the budget. This is annual and ongoing.
- It is inappropriate at this time as it is not a one-time expenditure; it's not being reviewed in conjunction with the budget; it's a budgetary special.
- This proposal needs to be weighed against other state priorities.
- This proposal will not be reviewed in future budgets.
- This bill is not an emergency. The housing crisis has been ongoing for years.
- There is no oversight provision in this bill. What will the units cost? How many will be constructed? Are there any reporting requirements? Are taxpayers and the Legislature receiving the kind of information they need to determine whether or not the current \$5 million appropriation or the proposed \$10 million appropriation is being used wisely?

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Date Hearing Report completed: January 10, 2024