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January 8, 2023

To: Hopkinton Select Board  
From: Anna Wells, Economic Development Director

Re: HOUSING NOTES

Dear Select Board Members,

Thank you for allowing me to submit this background information on behalf of the Economic Development Committee (EDC). Over the past several months, building on years of work by many Committee members, the EDC has developed a set of strategic objectives it believes are central to the economic well-being of our Town. One such core strategy is to promote the **availability of reasonably-priced housing**.

[Hopkinton's 2022 Master Plan](#) states that "an adequate and sufficient supply of housing options that meet a range of needs, from single adults, young families, to older residents, is important to ensure that Hopkinton remains a viable place to live in the years to come. Housing also plays a vital role in economic development, notably in the "live/work/play" concept of encouraging businesses to stay in and potentially relocate to Hopkinton" (p. 21).

The state of New Hampshire is experiencing a **significant shortage of housing**; Hopkinton is no exception. The state's **low inventory** does not meet the **high and growing demand** for housing, particularly for homes that are attainable for households earning at or below area median income (AMI)<sup>1</sup>. Based on population projections and building trends, the state faces a shortage of 23,670 units to meet current demand. **Statewide, housing production must increase by 158%** to create the additional 32,704 units needed to meet demand by 2025.

In the **Central NH Region**, the projected need is 3,028 additional housing units by 2025, or a **233% increase in production over 2016-2020 levels**. While this statewide and regional data may not apply perfectly to Hopkinton, the lack of vacancy/inventory, quick turnover, and escalating home prices make it clear that **Hopkinton is facing a similar housing shortage**.

Developers and regulators alike are recognizing this demand and beginning to capitalize on the opportunity to create more residential units. If Hopkinton is going to **respond with solutions that meet our specific needs and set appropriate and achievable goals**, a group especially tasked with understanding and responding to housing issues is a necessity.

<sup>1</sup> From [New Hampshire Housing Finance Authority](#) (NHHFA.org):

- Statewide Median Family Income = \$108,000
- Metro Median Family Income = \$117,000
- Non-Metro Median Family Income = \$94,500
- Merrimack County Median Family Income = \$105,800 (for a 2-person household = \$83,800)

Hopkinton, NH Median Household Income = \$100,665 (2021 American Community Survey 5-Year Estimates)

The Economic Development Committee therefore recommends that the Town of Hopkinton **establish a group to examine and address Hopkinton's housing trends, challenges, and opportunities. Information and guidance on these issues** will be vital to understanding and addressing the complexities of developing a balanced, diverse housing supply that meets the needs of current and future residents.

**Other towns in New Hampshire have established similar groups** to advance housing issues in places as varied as Manchester, New London, Jackson, Newbury, and Dover. For example, [Durham has created a group](#) to advise and advocate on issues of housing, with members being appointed by the Economic Development Committee (referred to in different places as a "Committee," "Subcommittee," and "Task Force"). [Newbury's Housing Committee](#) is an ad-hoc committee of the Planning Board ([FAQ's on Newbury](#)). And Jackson formed a [non-profit housing trust](#) in 2019 as a result of [recommendations coming from their MTAG process](#).

The Economic Development Committee recognizes clearly that **increasing housing supply and improving access to housing are economic development issues**; these topics will remain central to the Committee's strategic objectives. However, the Committee also acknowledges that these issues are **important and wide-ranging enough that they deserve a focused effort**, and that a range of stakeholders should be represented in this conversation.

On the following pages, I have appended some additional information for your reference. I look forward to discussing this with you at your next meeting.

Sincerely,

Anna Wells, *Economic Development Director*

## HOUSING MARKET DETAILS:

A balanced rental market - meaning the supply of units is meeting demand - has a vacancy rate of about 5%. A rate of 3% reflects adequate turnover (the time it takes to prepare a unit for the next tenant). **The current level of rental unit vacancy in New Hampshire is just 0.5%.** For both homeownership and rental units, it is **less than 1%**. This does not provide residents with **housing choice to meet their needs** or the opportunity for renters to become owners. This does not allow Hopkinton to be a "full life-cycle" community - one that offers housing options for people at all stages of life. Allowing for a range of housing options supports the local economy and contributes to healthy community culture.

New Hampshire's population is predicted to continue to grow until 2040, and with that, demand for housing will continue to grow. Additionally, **growth in jobs has far outpaced housing production** across New Hampshire with very few exceptions. In a stable, healthy economy that is poised for growth, **residential unit permitting should keep pace with job growth.** If it does not, rents and home prices will increase to unaffordable levels. This is the pattern we are seeing now. Furthermore, increases in **household incomes are not keeping pace with increases in housing values:** housing values rose by 111% in NH from 2000-2020, whereas median household income rose by 73%.

## WHAT IS AFFORDABLE HOUSING?

There is no single or simple definition for "affordable housing." It depends what exactly one is referring to. The prevailing rule of thumb is that to be "affordable," a household would spend not more than 30% of their income on housing costs.

For the "average" family of 4 in Merrimack County, spending 30% of their income would be \$2,645 per month). But for a "low-income" family (making 80% AMFI, or) that amounts to \$1,763 per month).

New Hampshire's **Workforce Housing Law** (RSA 674:58 - 61) specifies the following<sup>2</sup>:

- **workforce rental housing** should be "affordable" for a family of 3 making 60% of AMI (\$57,300 for Merrimack County) for a *maximum affordable rent* of \$1,430.
- **workforce ownership housing** should be "affordable" to a family of 4 making 100% of AMI (\$105,800 for Merrimack County) for a *maximum affordable purchase price* of \$359,500.
- This may not include age-restricted housing nor developments with greater than 50% of units having less than 2 bedrooms.
- "**Affordable**" means no more than 30% of income is spent on housing (rent + utilities; or mortgage principal and interest, taxes, and insurance).

**Hopkinton's Affordable Housing Option** ordinance specifies that, if this option is used, 40% of the units must be "affordable" for those earning up to 120% AMFI (or \$126,960, meaning they would spend \$38,088 per year on housing costs, or \$3,174 per month).

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<sup>2</sup> For further details, see New Hampshire Housing's table of [estimated affordable amounts for purchase and rent](#).

Putting “affordability” in context:

- The average salary for a registered nurse is \$83,867, meaning max affordable rent or monthly housing costs would be \$2,097 (including utilities, insurance, or taxes).
- Hopkinton’s average home price as of today is around \$473,000 (according to Zillow). According to the 2021 American Community Survey 5-Year Estimates, the median home price was \$311,900.
- For a \$400,000 home, with a 7% interest rate, mortgage would be \$2,528 per month - just barely “affordable” to the average Merrimack County Family, and that is before including utilities, insurance, and taxes.

## OTHER HOUSING EFFORTS

A housing committee would have these two additional tools at its disposal as it carries out its work:

- 1) The **InvestNH Housing Opportunity Planning (HOP) Grant Program**: This grant program provides funding for municipalities to hire consultants to **create or amend zoning ordinances and other regulations that promote housing development**. The Town of Hopkinton will be applying for the Municipal Planning & Zoning Grant Program in the amount of up to \$175,000 to engage expert consultants over three phases: Needs Analysis and Planning, Regulatory Audits, and Regulatory Development.
- 2) **Housing development is now considered a “public use” permitted within a TIF District**: The statute enabling TIF Districts ([RSA 162-K](#), Municipal Economic Development and Revitalization Districts) was amended in 2022 (*new language highlighted*):
  - 162-K:6-IX(a)(5)** “If separately adopted by the city or town by the procedure described in RSA 162-K:1, the **acquisition of real property to construct housing units which meet the definition of workforce housing** contained in RSA 674:58, IV, whether or not such construction results from private development or private commercial enterprise. The municipality shall not acquire property for this purpose through the powers of eminent domain.
  - 162-K:6-III(j)** “If separately adopted by the city or town by the procedure described in RSA 162-K:1, acquire, construct, reconstruct, improve, alter, extend, operate, maintain or promote **residential developments aimed at increasing the available housing stock within the municipality**.”