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Economically Diverse Housing in the Upper Valley Lake Sunapee Region

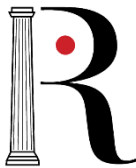
PRESENTED TO UPPER VALLEY LAKE SUNAPEE REGIONAL
PLANNING COMMISSION

Meghan Butts, Executive Director

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

1 PROBLEM STATEMENT: HOUSING CRISIS

2 INTRODUCTION

3 METHODOLOGY

3.1 DATA ANALYSIS

3.2 ELITE INTERVIEWS

3.3 CASE STUDIES

4 QUANTITATIVE DATA ANALYSIS: SETTING THE STAGE

4.1 INFRASTRUCTURE

4.1.1 TRANSPORTATION

4.1.2 PLUMBING

4.2 SECOND HOMES AND VACANCIES

4.2.1 SECOND HOMES

4.2.2 VACANCIES

4.3 INCOME INEQUALITY

4.3.1 POVERTY

4.3.2 HOUSEHOLD INCOME

4.3.3 RENT BY INCOME

4.4 HOUSING MARKET

4.4.1 RENT PRICES

4.4.2 HOME VALUES

4.5 SUMMARY AND IMPLICATIONS OF DATA ANALYSIS

5 ELITE INTERVIEWS: GAINING INSIGHT

5.1 MISSING MIDDLE HOUSING

5.2 STIGMA / NIMBYISM

5.3 INCREMENTALISM

5.4 ZONING

6 CASE STUDIES: AVAILABLE SOLUTIONS

6.1 MANUFACTURED HOUSING

6.2 PATTERN ZONING

6.3 TAXING SECOND HOMES

6.4 ACCESSORY DWELLING UNITS (ADUs)

7 CONCLUSION

APPENDIX A: GRAPHS

EXECUTIVE SUMMARY

This research brief focuses on the development of affordable housing in the Upper Valley Lake Sunapee Region (UVLSR) of New Hampshire. The region faces an ever-present housing shortage that affects low and moderate-income families, limiting their access to livable housing in both the rental and homeowner markets, diminishing the workforce, and creating greater scarcity of service. Our brief addresses the unique barriers hindering the region's ability to introduce and maintain diverse housing options, including local infrastructure challenges and misconceptions about the housing crisis.

To elucidate options to advance affordable and workforce housing development in the Upper Valley, we identified the following key criteria to guide our analyses: (1) affordability for low-income, middle-income, and working people (ranging from 30 percent to 120 percent of the Area Median Income),¹ (2) budget-consciousness for the towns, and (3) livability for future residents.²

Our research employs a mixed-methods approach, encompassing quantitative analyses by assessing town-level differences across several housing-related factors, leading expert interviews to gather diverse perspectives from housing professionals, and compiling case studies of successful affordable and workforce housing developments in similar U.S. regions. This research, conducted from January 1, 2024 to March 11, 2024, provides an extensive understanding of the housing crisis in the Upper Valley Lake Sunapee Region and offers evidence-based options to improve access to diverse, affordable, and workforce housing while considering budget constraints, livability, and sustainability.

1 PROBLEM STATEMENT: HOUSING CRISIS

There is a well-documented housing crisis in the Upper Valley Lake Sunapee Region (UVLSR, hereafter called “The Upper Valley”), as shown by the 2030 Housing Needs Forecast by Keys to The Valley.³ According to their research, approximately 10,000 new units of all modes will be needed by 2030 to meet the increased demand for housing in the Upper Valley. This means that there is three times more demand that needs to be met in the next six years than there was housing constructed in the years between 2010 and 2020. This is evidence that the region is facing a housing crisis and needs new strategies to consider.

The Upper Valley housing shortage is the product of a tension between affordable housing advocates and those who seek to preserve the traditional rural feel of their towns. This exacerbates the greater profitability of single-family homes that do not effectively address the housing stock problem, the general lack of low- and middle-income housing (known as “middle housing”), and the continued rise in expenses to construct all forms of housing.⁴

There is also a shortage of workers in both large and small businesses in the Upper Valley, such as in hospitals, universities, post offices, restaurants, and retail. These are essential services, large tax contributors, and pillars of the communities in which they reside. A lack of a diverse workforce and affordable housing means longer commute times for those who cannot afford to live in the communities where they work, disruption of goods and services provided in commerce centers, and overall lower quality of life disproportionately burdening those already underserved by local infrastructure.⁵

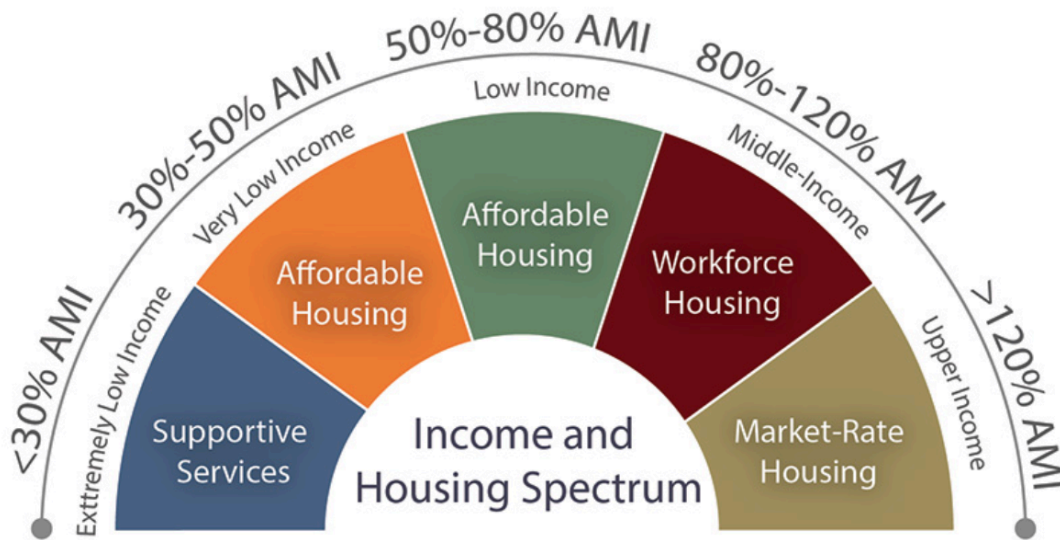
However, diversifying the types of housing available to the public is an enduring task with no easy levers to pull. Even if multifamily housing is able to be produced, several challenges remain, such as, where the community will allow them to be built, when funds can be allocated, and who this housing is meant to support. These are all difficulties to be addressed when towns seek to diversify their housing stock. Our research aims to answer the following questions: What housing models and policy innovations can be effective in housing the Upper Valley for years to come? How can the Upper Valley increase access to a diverse workforce and affordable housing while considering budget-conscious development, livability, and a realistic balance with nature?

2 INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD) defines affordable housing as “housing on which the occupant is paying no more than 30 percent of gross income for housing costs, including utilities.”⁶ Our brief focuses on housing affordability in terms of indicating the best practices for those in need, identifying the best housing stock to cover all ranges of income, and acknowledging that there is no one single solution to the housing crisis in the Upper Valley. In the image below we see that the range between 30 percent and 120 percent of the Area Median Income

(AMI) represents affordable and workforce housing, which defines the scope of our research. AMI is the mid-point of an area’s specific income distribution. Therefore, we focus on very low-income housing (between 30 and 50 percent of AMI),⁷ low-income affordable housing (between 50 and 80 percent of AMI), and middle-income workforce housing (from 80 to 120 percent of AMI). We do not consider housing for extremely low-income housing (less than 30 percent of AMI), which entails supportive services, nor do we cover with much specificity market-rate housing (more than 120 percent of AMI), as that is beyond the scope of our project.⁷

Image 1



*AMI Housing Distribution*⁸

The middle income section of 80 percent and 120 percent stands to benefit the most from increasing the currently scarce middle housing not typically available in the Upper Valley. This type of housing is typical of individuals or smaller families looking to live closer to their places of work and who seek neighborhood-style housing without the single-family home costs. Examples include: duplexes, multiplexes, town homes, and stacked homes. The two low-income ranges combined to 30 percent to 80 percent includes higher density, more affordable housing, most commonly seen in apartments or multi-storied structures. There are modes under the middle housing title such as stacked “plex” structures that also effectively address these needs.⁹

The most profitable housing stock is market rate housing, which is not accessible to many Granite Staters, though there are still many avenues that this mode can help in addressing the overall housing crisis. Older individuals looking to downsize can convert single-family homes into multi-plex

structures. Those who have space on their lot and want additional income can construct accessory dwelling units (ADUs). ADUs are residential living units that provide independent living facilities for one or more persons while being attached to a single family dwelling.¹⁰ Even the planning of larger scale single home developments, such as neighborhoods, can include mixed stock housing to better integrate economic diversity into every community.¹¹

Image 2

Upper Valley Lake Sunapee towns¹²



The strategies to curb demand and promote greater housing diversity are not dependent on housing alone. In our data section, systems surrounding housing development and livability support structures explain the importance of transportation and plumbing. Information from our expert interviews on incremental approaches and the person-by-person individual barriers of housing describes the need for a holistic lens. The attempts at solving parallel problems through manufactured housing or pattern zoning in our case-study section suggest applicability from our case studies in other regions across the country to the Upper Valley.

Our expert interviews largely concluded that a healthy housing market addresses all of these needs and finds a way to support every new citizen with specificity and intentionality. This is best described as mixed housing that provides stock that is affordable for individuals and families at every section of the AMI.

In this report, we focus on the 26 municipalities in the Upper Valley Lake Sunapee Region of New Hampshire (seen in Image 2). At the behest of the Upper Valley Lake Sunapee Regional Planning Commission¹³ we break these municipalities into groups based on population size: **small towns** consist of those with a population of 1,500 or less, **medium towns** have populations between 1,500 and 5,000, and **large towns** are those towns with a population above 5,000. Of these municipalities, 10 are considered small (Acworth, Croydon, Dorchester, Goshen, Grafton, Orange, Orford, Piermont, Springfield, Washington), 12 Medium (Canaan, Charlestown, Cornish, Enfield, Grantham, Lyme, New London, Newbury, Plainfield, Sunapee, Unity, Wilmot), and 4 large (Claremont, Hanover, Lebanon, Newport). The largest town, Lebanon, has a population of 14,515, which is smaller than other large cities in NH like Concord with a population of 44,503.¹⁴

As a whole, the Upper Valley is in a difficult position for housing development due, in part, to its rural landscape, and because of this, our data analysis, case studies, and expert interviews focus on similar cases to ensure that our policy options are founded in pragmatism and are as applicable to the Upper Valley as possible.

We begin the brief by describing the methodology used to conduct our research. This is followed by a quantitative data analysis of town-level American Community Survey data, broken into sections based on the major topics policy-makers consider when contemplating new housing projects, including infrastructure, second homes, income inequality, and the housing market. Then, we share the major themes that emerged from our expert interviews: missing middle housing, stigma surrounding housing projects, zoning laws, and the incrementalist approach to the housing crisis. Next, we cover relevant case studies that have key similarities to the Upper Valley. These case studies focus on manufactured housing, pattern zoning, taxing second homes, and accessory dwelling units (ADUs). Finally, we conclude with a summary of our findings and a range of recommendations that emerged from the research that may help address the housing crisis in the Upper Valley.

3 METHODOLOGY

To research the affordable housing issue in the Upper Valley, we employed a mixed-methods, three-pronged approach:

1. Examine housing and demographic variables from a quantitative lens using US Census Bureau American Community Survey (ACS) housing and demographic data to understand town-level differences and determine how town size impacts barriers to or opportunities for new housing development (Quantitative Data Analysis).
2. Examine the housing crisis from a qualitative lens by soliciting the opinions of experts and local stakeholders to understand possible options and barriers to improvement (Expert Interviews).
3. Consider potential options for the Upper Valley in the form of affordable and workforce housing development strategies by examining comparison regions (Case Studies).

4 QUANTITATIVE DATA ANALYSIS: SETTING THE STAGE

We analyzed the National Historical GIS dataset downloaded from the Integrated Public Use Microdata Series (IPUMS) website, which specifically is the 2022 American Community Survey 5-Year Data (2018-2022). We constructed a dataset containing housing and demographic information for all twenty-six towns included in the Upper Valley. We provided original analysis of housing-related measures stratified by town size, which allowed us to gain purchase on the differences between towns at the individual level and based on town size.

Our data analysis can help policymakers better understand the different housing needs and challenges experienced by small, medium, and large towns from a quantitative lens. Having this understanding will allow policymakers to consider affordable housing models and strategies that are both region and town-specific. We analyzed housing-related measures relevant to housing development including infrastructure, second homes, vacancies, income inequality, and the housing market. We also conducted statistical tests to ascertain mean differences in such factors across town

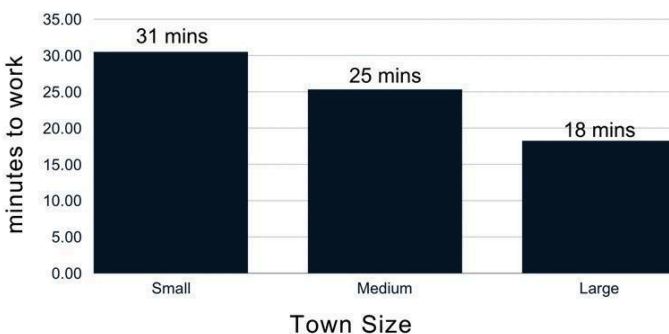
sizes. We find that affordable housing development strategies can not be homogenous for all towns within the region.

4.1 INFRASTRUCTURE

We define infrastructure as any physical system, service, or structure that enables someone to live in a certain area. Our research rests on the understanding that housing is innately tied to livability, which includes easy access to vital infrastructure such as transportation, healthcare, water and septic systems, and grocery stores, for example. The main components of infrastructure that we have chosen to focus on are transportation, since it is directly linked to access to other services, and water and septic systems, as this is a concern in rural areas within the Upper Valley.

4.1.1 TRANSPORTATION

Figure 1: Median Travel Time to Work



Source: Authors' Analysis of American Community Survey 2018-2022

Transportation is tied to affordable housing specifically because many low-income or working-class people may not have a car or other means to travel long distances, which is especially a concern given the rural nature of the region. Long distances to necessary services and the workplace add a greater financial burden to those who already exhibit an affordable housing need. Additionally, town administrators have expressed in our interviews that employers have concerns about the lack

of localized workforce housing around work hubs in the region like Hanover and Lebanon, as they see the connection between living in closer proximity to where one works and increased livability of an area.¹⁵ Our analysis shows that median travel time to work is on average 31 minutes in small towns, 25 minutes in medium towns, and 18 minutes in large towns.

We also conducted t-tests, statistical tests of difference to ascertain if the mean differences found in the data were statistically significant or due to random chance. With these tests, a lower percentage level of significance indicates that we can conclude with more certainty that there are significant differences in the mean values of two groups. Through these tests, we found that there are statistically significant differences in median time to work between small and medium towns at the 10 percent level of significance, small and large towns at the 5 percent level, and medium and large towns at the 1 percent level.

We also ran a Pearson's correlation test to see if median travel time to work is significantly related to other variables of interest. The correlation test between median travel time to work and the labor

force participation rate (the percentage of the population in the labor force), reveals that there is no statistically significant correlation between these two variables at the town level, which may suggest that being far away from work does not disincentivize people in rural towns from working. There are also no statistically significant differences in the labor force participation rate between small, medium, and large towns as the averages are all within 1 percentage point of each other between 58 and 59 percent.

Image 3

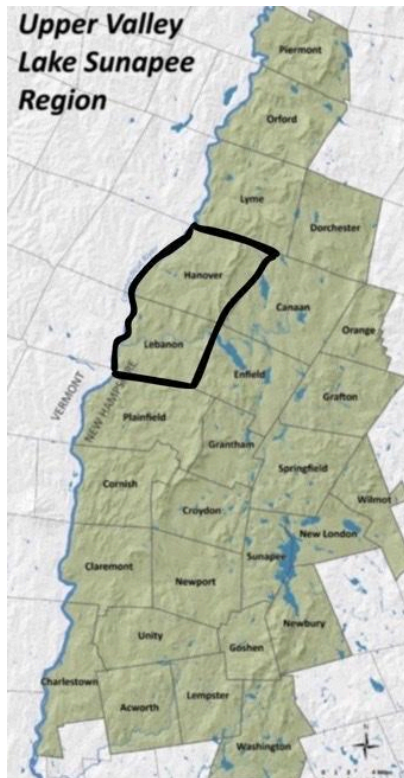


Image 4



Upper Valley Lake Sunapee towns¹⁶ (left) compared to Advance Transit map¹⁷ (right)

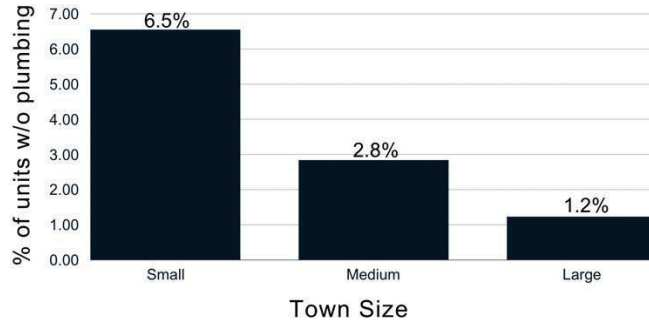
It is notable to mention that the main public transportation in the region, the Advance Transit system, does not operate on weekends and does not extend to all parts of the Upper Valley. Specifically, the system is centralized around two of the largest towns, Hanover and Lebanon, which are home to the largest employers in the region, Dartmouth College and Dartmouth Hitchcock Medical Center (Image 3 and Image 4). The structure of public transportation in the region in addition to the time to work analysis illuminates the fact that living in a small town necessitates that workers have a car to get to work.

Town administrators mentioned that longer commutes to worktowns imply longer commutes to other necessary services like hospitals, grocery stores, and social spaces which are all important to consider when deciding where to develop new housing.¹⁸ Even if this is not true for all small towns,

it certainly may be a barrier to livability in some remote towns like Grafton and Washington, where residents have average commute times of over 40 minutes (see Appendix Figure 1B).

4.1.2 PLUMBING

Figure 2: Percentage of Housing Units Without Complete Plumbing



Source: Authors' Analysis of American Community Survey 2018-2022

Given the rural nature of many of these towns, adequate access to water and septic systems is a concern for those interested in developing new housing units. While homes in relatively more densely populated areas use town water systems, some homes in rural areas use well water systems or do not have complete water or septic systems at all. Our analysis reveals that the percentage of housing units without complete plumbing is on average 6.5 percent for small towns, 2.8 percent for medium towns, and 1.2 percent for large towns.

Statistical tests of the percentage of housing units without complete plumbing by town size reveal that there are statistically significant differences between small and medium towns at the 1 percent level of significance, small and large towns at the 1 percent level, and medium and large towns at the 1 percent level. This highlights the importance of considering how access to water and septic systems would be included in any plan to build new housing.

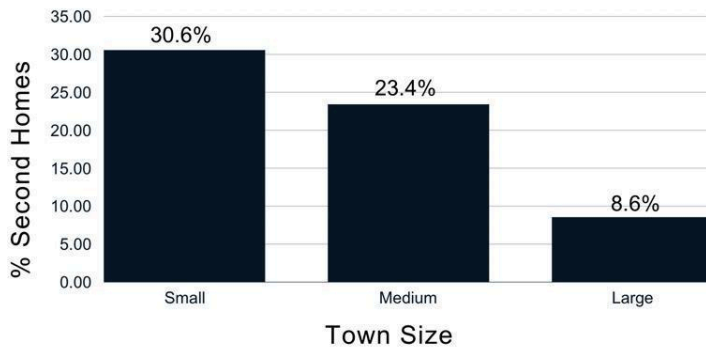
4.2 SECOND HOMES AND VACANCIES

Since the Upper Valley contains many high-valued homes, such as lakefront properties, many towns with a high concentration of expensive homes have an existing housing stock that is not conducive to affordability and limits the possibility of new housing being affordable in their vicinity. We analyzed the number of second homes by different-sized towns and discussed the implications this may have on housing policy. Vacancies are also important to examine as they are a metric for understanding how much of the existing housing stock is not currently being used to its full potential.

4.2.1 SECOND HOMES

The ACS defines second homes as housing units that are for seasonal, recreational, or occasional use. Town administrators have communicated the sentiment felt by some residents that second homeowners drive up housing prices without contributing much to the local economy due to their

Figure 3: Second Homes as a Percentage of Total Housing Units

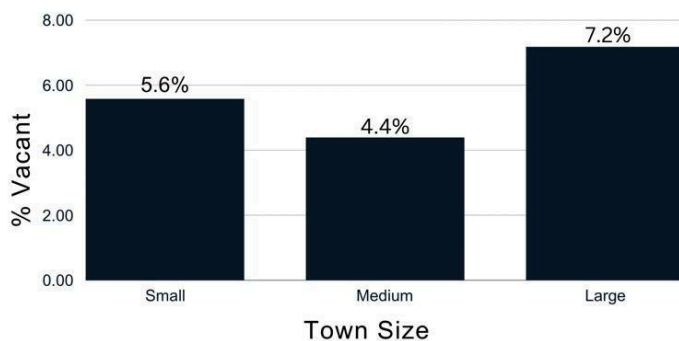


Source: Authors' Analysis of American Community Survey 2018-2022

percent level of significance as well as medium and large towns at the 10 percent level. Some small and medium towns like Washington and Sunapee, respectively, have a housing stock that consists of over 50 percent second homes (see Appendix Figures 3B and 3C). Towns with many second homes may experience this as a barrier to affordable housing development, particularly in small towns where second homes are more prevalent. Interviewees who would like to see greater affordable development in towns with high percentages of second homes expressed that wealthy second homeowners have power in the form of voting blocks and social capital to stop affordable housing legislation that could potentially lower their home values.²⁰ This is something we will address in our case studies.

4.2.2 VACANCIES

Figure 4: Vacant Units as a Percentage of Total Housing Units



Source: Authors' Analysis of American Community Survey 2018-2022

variables reveal that there are statistically significant differences between medium and large towns at

extensive time away from the region.¹⁹ Second homes as a percentage of total housing units is on average 30.6 percent for small towns, 23.4 percent for medium towns, and 8.6 percent for large towns. These are strikingly high numbers, especially in small and medium towns.

Statistical tests between second homes as a percentage of total housing units and town size variables reveal that there are statistically significant differences between small and large towns at the 5

The ACS defines vacancies as a catch-all term that encapsulates housing units that are for rent, rented but not occupied, for sale, sold but not occupied, for migrant workers, or are vacant for some other reason²¹.

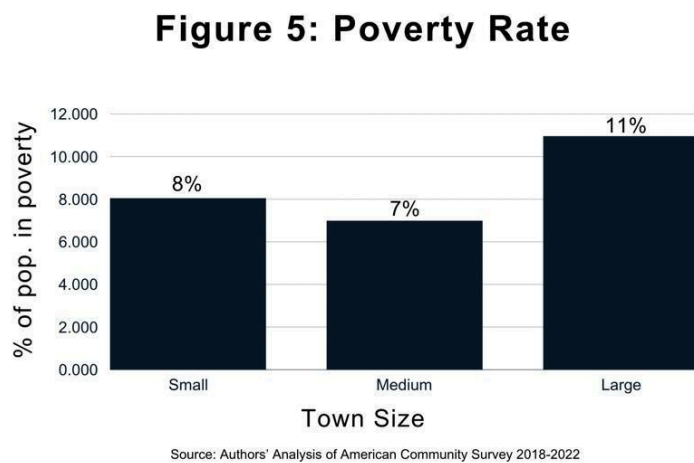
The number of vacant homes as a percentage of total housing units, is on average 5.6 percent in small towns, 4.4 percent in medium towns, and 7.2 percent in large towns. Statistical tests between vacant units as a percentage of total housing units and town size dummy

the 10 percent level of significance. The higher percentage of vacancies in large towns signifies that perhaps the necessary housing stock is available there, and may need to be altered in a way to make it more conducive to affordability and livability. However, a limitation of this analysis is that it does not shed light on the type of housing that is vacant.

4.3 INCOME INEQUALITY

There are various measures of income inequality that we analyze to study how the tax base and financial composition of different towns might affect not only their need for affordable housing, but also their ability to take on such a project.

4.3.1 POVERTY



High poverty rates in a town likely signify a need for greater affordability of housing, whether that means lower costs of existing units or new affordable housing development altogether. At the same time, however, a high poverty rate might also highlight a weak tax base meaning that there could be towns that display a housing need but do not have the financial or other resources to develop affordable housing. In terms of where new housing development could be built in the Upper Valley, it is

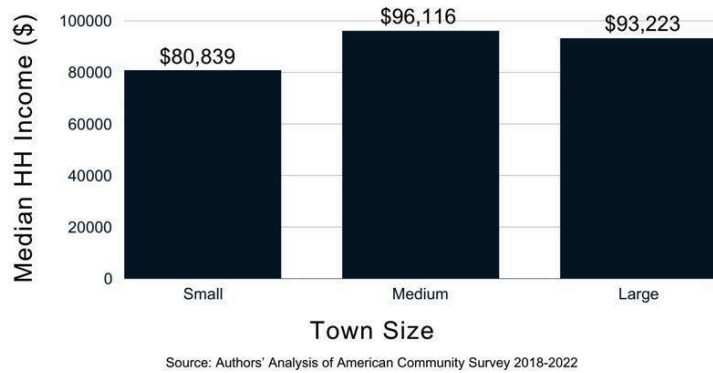
important to find towns where the housing need is clearly exemplified and where there is a healthy tax base.

The town poverty rate is on average 8 percent in small towns, 7 percent in medium towns, and 11 percent in large towns. Statistical tests between the poverty rate and town size reveal that there are no statistically significant differences between towns of different sizes. However, there is certainly a range in poverty levels across the region which can be seen by looking at the medium towns of Grantham, a town with nobody documented to be living in poverty, compared to Charlestown, a town where nearly 17 percent of the population lives below the poverty line (see Appendix Figure 5C).

Therefore, the specific poverty rates of various towns should be considered when it comes to where affordable housing should be developed, beyond the simple distinctions of town sizes, because the range of poverty is so large even within town size stratifications.

4.3.2 HOUSEHOLD INCOME

Figure 6: Median Household Income



Understanding household income provides insight into the tax base of a town as well as the capacity of residents to afford different housing types. The median household income of a town is on average \$80,839 in small towns, \$96,116 in medium towns, and \$93,223 in large towns.

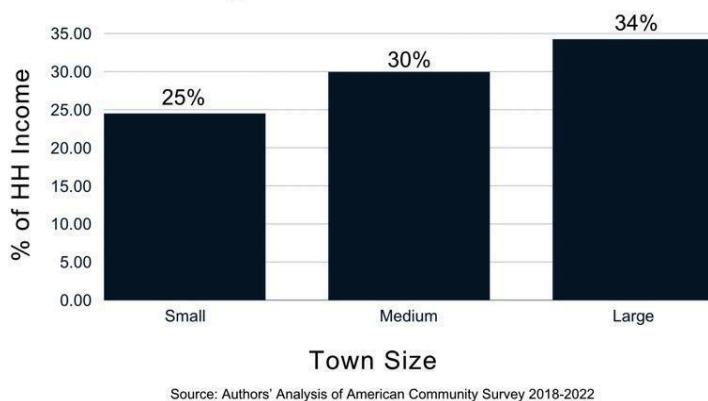
Statistical tests between median household income and town size variables reveal that there are no statistically significant differences in

income between towns of different sizes. This again reveals that specific town-level income information may be more helpful than information aggregated at the town size level on the topic of income and income inequality, due to high variability within town size groups.

4.3.3 RENT BY INCOME

Looking at rent prices in relation to income allows policymakers to understand the financial burden that the existing housing landscape places on residents of a town which, if significant, may highlight a need for more affordable housing. Median rent as a percentage of household income, is on average 25 percent for small towns, 30 percent for medium towns, and 34 percent for large towns.

Figure 7: Median Rent as a Percentage of Household Income



Statistical tests between median rent as a percentage of household income and town size variables reveal that there is only a statistically significant difference between small and large towns at the 5 percent level of significance.²²

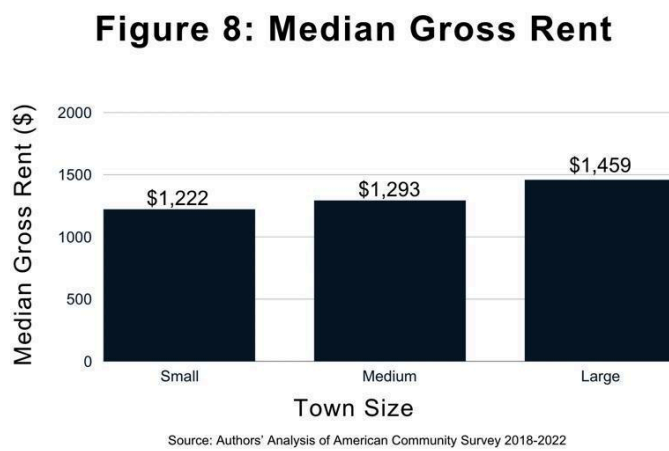
Additionally, the large range of values within the medium towns for this variable warns against treating all medium towns the same as they are clearly very heterogeneous, at least when it comes to the relationship between rent prices and income.

These analyses of income-related variables exemplify that the difference in averages of poverty and income inequality variables are not significantly different between town-size stratifications. There are, however, notable differences between individual towns, even within town size stratifications. This cements the idea that not only is town size an important factor but also that other variables that differ between towns of the same size may be explanatory. Any solutions that are put forth should be tailored to not only town size but also individual town characteristics because a solution that generally pertains to medium towns might not work for every medium town, for example.

4.4 HOUSING MARKET

We analyze the current housing market to understand which towns or town-size groups are currently experiencing the greatest barriers to affordability in terms of simple housing costs. There are also other potential implications of rental and home price variables that we examine.

4.4.1 RENT PRICES



Rent prices are significant to look at as the population experiencing an affordable housing need is likely in a financial situation where renting could be more viable than purchasing a property. The median gross rent in a town is on average \$1,222 per month in small towns, \$1,293 per month in medium towns, and \$1,459 in large towns.

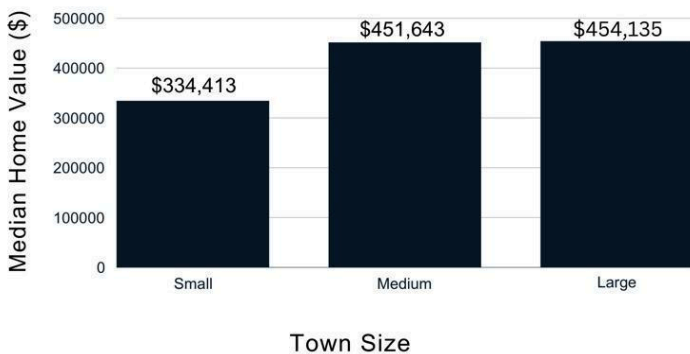
Statistical tests between median gross rent and town size variables reveal that there are no statistically significant differences between towns of different

sizes. With the exception of the large towns, there is not much difference in rent prices between towns within the same size stratification.

4.4.2 HOME VALUES

Home values not only tell us about the monetary value of the housing stock in a town, but very high average home values could alert us to the fact that there are likely higher barriers to affordable housing development in the form of wealthy homeowners with social and political influence. In contrast, town administrators highlight that very low average home values could also present an issue in that these towns would not want new development that would not help to improve their weak tax base but instead would result in more people using the town's public resources.²³

Figure 9: Median Home Value 2023



Median home value in 2023 is a variable that we manually added to the dataset as the ACS did not have data on this. We instead found values for this variable on Zillow for each town and then averaged for the town size group. It is on average \$334,413 in small towns, \$451,643 in medium towns, and \$454,135 in large towns.

Statistical tests between median home value and town size variables reveal that there are statistically significant differences between small and large towns at the 1% level of

significance. This analysis illuminates a potential barrier to housing development in some small towns since home values are on average so much lower than the rest of the region. According to town administrators, residents in these small towns might not want affordable housing as they believe it would reduce home values even more and use more of the town's public resources.²⁴

Another thing to point out is the difference in home values between Hanover and Lebanon, the two towns that employ the greatest percentage of the workforce in the region. While Hanover's average home value is much higher than any other town in the region at \$903,559, Lebanon's average home value sits around the average of both the medium and large towns at \$404,704 (see Appendix Figure 9D).

4.5 SUMMARY AND IMPLICATIONS OF DATA ANALYSIS

The results of this analysis shed light on characteristics useful for consideration when thinking about affordable housing development in the region. Some categories considered, for example second homes and vacancies as well as infrastructure, have statistically significant differences between town sizes, implying that different-sized towns will experience different barriers to development regarding these factors. The other variables do not show much, if any, statistically significant variation across size stratifications, but these variables are still important pieces in the overall puzzle of housing development and should be examined accordingly.

A limitation of this data for use by policymakers is that any implications or interpretations of this data should not be seen as a prescription for how affordable housing development should be carried out. Extrapolations of this data are meant to merely consider possible advantages or disadvantages to choosing certain towns as sites of new affordable housing development based on the statistical tests we have conducted, but the bivariate statistics used here cannot capture everything about a town. We would also like to reiterate that the town size stratifications are helpful, but individual town characteristics must also be considered as there is sizable variation between towns of the same size when analyzing certain variables.

5 EXPERT INTERVIEWS: GAINING INSIGHTS

We conducted interviews with local housing experts, town managers, zoning administrators, housing navigators, town and housing planners, and affordable housing advocates to gain insights into how towns in the Upper Valley are coping with the lack of housing while striving to remedy this scarcity. By accumulating their expertise on the most important issues they face, we hope to inform policy decisions regarding housing considerations and appropriations.

5.1 MISSING MIDDLE HOUSING

“Missing middle housing” is a term used by several of our interviewees, who are professionals in the housing industry. These are house-scale buildings that follow the structure of residential neighborhoods but with a greater diversity and affordability than their detached single-family counterparts. Researchers of this essential link between high and low-density housing describe this type of housing as an option that supports walkability, public transportation, and local businesses, in addition to better meeting the economic conditions of families today.²⁵

It is often the case that market-rate homeowners who seek to downsize are unable to do so because of middle housing scarcity, keeping those market-rate units out of grasp for those who would stand to benefit the most from it (i.e. growing families, middle-aged residents, relocators). Through our expert interviews²⁶ we learned that these homeowners state a lack of alternatives allowed under current housing law such as conversion of homes into multiplex structures, as their reason for inaction. Instead of converting a larger home into smaller units, which is incredibly difficult to do in many communities due to housing codes, residents become saddled with high property taxes and difficult upkeep, as well as excess space.

When these individuals attempt to sell their homes as is, they are met with either no available smaller options, or similarly sized and just as expensive market-rate homes, causing them to stay in place. Additionally, due to an aging housing stock²⁷ there are stagnancies in the market where homes must be remodeled in some way, or these costs will be pushed onto the purchaser, further complicating the process of freeing up more units for more people—especially considering the depreciating incomes of older individuals²⁸ who are unable to commit funds towards these costs. It also keeps larger homes fit for many people out of the hands of younger families looking for starter homes but without the prices that allowed for previous generations to enjoy such transitions. This is incongruent with the housing market of the past, where older individuals would sell their homes to younger individuals with growing families and then move into somewhat smaller housing units. With housing prices as high as they are, due to scarcity and the pricing of resources to construct new housing, it is difficult for smaller units to be purchased, leading to further freezing of units that are currently suitable for the growing population in the region. A response to this is the construction of middle housing for both those looking to expand from smaller units to middle sized, and those looking to do the opposite to avoid higher property taxes, upkeep costs, and vacant space as income

decreases after retirement. Such as: duplexes, triplexes, fourplexes, town homes, multiplexes, stacked homes, and live-work housing.

The below graphic shows a slice of the housing market that is difficult to find in the Upper Valley — the missing middle. Due to this scarcity, larger-scale alternatives such as apartment complexes are of greater need despite the pushback to their construction in many communities because of the scale of the project, and associated magnitude of change in the community. On the other hand, single-family homes are the most profitable for builders but do not allow for their owners’ flexibility, due to price and upkeep, as lives change with age or need for that amount of space. The implementation of these more specifically applicable and affordable housing structures is economically efficient, especially in terms of meeting demand.

Image 5



This image shows the modes of middle housing that are designed to meet the unique needs of individuals and families. This represents a variety of housing models, most are more affordable than the single-family homes on the left, and more spacious than the mid-rise shown on the right.²⁹

5.2 STIGMA / NIMBYISM

When talking about the greatest barriers to growing the housing stock in our region, one of the most common answers from our expert interviews is the lack of information. By this, many interviewees meant the stigma surrounding who would move into this housing, what they would do when they take up residence in these communities, and how that would affect those who already lived there. Our expert interviewees noted that it becomes part of the job for many community housing advocates to also advocate for the people moving into the housing as well. On the first note, some people associate a range of housing types from workforce to low-income with a government-subsidized housing project that would bring in “unproductive” members to the community. Through our interviews with business professionals, we learned that much of the need for new housing is to support nurses at hospitals, teachers with families, retail workers in commerce centers, government employees and others who provide essential services, and are vital, underappreciated, members of our communities in need of affordable housing.

Additionally, our interviewees mentioned that these misconceptions also impact expectations about what those who move into these units will do while in the community. In addition to

misconceptions about their occupations, many residents have negative stereotypes about those who seek affordable housing and associate them with criminal activity or view them as dangers to the civility or peace of a municipality. These prejudices often align with “not in my backyard” or NIMBY ideology. On another level, there are those who support housing developments broadly so long as they are not in their own communities for the same reasons as expressed above, and out of fear that property values will decrease. We talked with several housing professionals who sought to address these myths through one-on-one conversations between those who seek to move into a community and those who had a preconceived idea of what “those” people would be like. This has shown to be greatly effective on small scales, though the less specific to the community the message is, the less receptive people are. These conversations, when carried out in several communities, do build lasting change, our expert interviews revealed. It is in these areas which have dedicated housing advocates who seek to advance knowledge where we see new housing implemented and the burdens of scarce housing lessened.

5.3 INCREMENTALISM

Many housing professionals have found a way to keep affordable housing development progressing despite roadblocks at many turns. This has been accomplished through a day-in-and-day-out mantra of incrementalism. This slow moving work has led to wider support of Accessory Dwelling Units (ADUs), to converting single family homes into duplexes, and to decreasing acreage requirements for new housing. While these are not sweeping reforms, they do lessen the burden while larger projects are attempted. There are examples of ADUs housing traveling nurses at overburdened hospitals, of retiring residents converting their homes into duplexes and then renting, and or greater density single family homes with smaller lots and more units becoming available.

5.4 ZONING

A strong theme from the zoning experts that we interviewed was the “too little, too late” problem of zoning.³⁰ Zoning regulations can change through town ballot measures where residents vote on proposed amendments during town meetings or elections, may alter land use regulations, ease density restrictions, or change zoning district boundaries. New Hampshire generally has an anti-incremental zoning stance towards converting single family homes to greater capacity housing structures, but is also hesitant to greenlight large housing projects. This highlights the need for middle-housing, but it also indicates that residents are generally unmotivated to work toward solutions and much more likely to push back in general to changes in zoning laws. Expert interviews revealed that zoning is not generally the primary issue, however it is almost always the secondary problem that can derail progress and lead to a reluctance to attempt resolution. Our interviewees also stated that zoning issues can be straightforward at times, but even in those best-case scenarios it is an incredibly time consuming process. In tandem with other barriers, zoning can be the crippling force and a large barrier to housing development.

6 CASE STUDIES: AVAILABLE OPTIONS

These case studies examine various approaches to government intervention, including regulations, technology, and taxation, aimed at alleviating the housing crisis in the Upper Valley. Drawing from experiences across the United States, from Connecticut to Texas, we aim to identify the most effective affordable housing options tailored to the specific challenges of the Upper Valley. In this section, we introduce the concept, investigate the case or its use, and provide potential benefits and drawbacks of adoption.

6.1 MANUFACTURED HOUSING

Manufactured housing, which can be permanently installed or mobile but offer viable affordable housing options. These homes are pre-built in factories and are then transported to different sites for installation. They are subject to federal building codes set by the Department of Housing and Urban Development (HUD) to ensure safety and quality.³¹ They are frequently deemed affordable housing due to their low-cost construction. They can be placed on individual lots or in manufactured home communities, helping to increase the housing supply in areas where traditional site-built homes may be too expensive.

CASE STUDY: GROTON, CONNECTICUT

In 1984, the town of Groton adopted the "Manufactured Home Subdivision" regulation to increase housing density in single-family zones and enhance the private sector's ability to build affordable housing. These zones ranged from 8,000 to 20,000 square feet, with at least 25 percent of the affordable housing required to be mobile manufactured homes, as defined by HUD. The study is divided into pre- and post-construction sections.³²

In 1986, a prominent development company in the area responded to Groton's demand for affordable housing by leading the town's single-family housing development. They planned to build 268 manufactured and modular homes on the 158 acres available. The company agreed to adhere to the "Manufactured Home Subdivision" regulation, allowing for a mix of modular and manufactured homes, with prices starting at \$75,000.³²

However, the project, initially set to start in 1986, faced delays due to the financial demands of construction and began in 1990. After encountering costs for land acquisition, engineering, and other expenses, the company revised its projection to 210 homes following the public hearing process. Sixteen lots were eliminated due to their location opposite the local stream, which the Wetlands Commission aimed to protect. These lots were combined into one large lot, intended to benefit homeowners in the area, possibly by establishing an imminent daycare center to support families. Despite obstacles, the developer remained interested in pursuing other manufactured home

subdivisions across the state, contingent on appropriate zoning, cluster regulations, and availability of public utilities.³³

ANALYSIS: APPLICABILITY TO UPPER VALLEY

Developing town and state regulations to encourage the placement of manufactured homes in predominantly single-family home neighborhoods in the rural Upper Valley can significantly increase affordable housing options. This approach not only addresses affordability but also diversifies the housing stock, provides quick construction solutions to meet demand, and offers environmental benefits through energy-efficient designs. With thoughtful planning, these homes can integrate seamlessly into existing neighborhoods, supporting community cohesion. Furthermore, this strategy can stimulate local economies by creating jobs in manufacturing, transportation, installation, and maintenance, while promoting housing stability and overall well-being for residents.

However, manufactured housing presents several challenges that require careful navigation. The case study highlights the need for the adoption of zoning laws and land-use regulations to integrate manufactured homes into rural areas, which can be both lengthy and complex. Financing and insurance for manufactured homes can be more challenging and expensive than for traditional homes, potentially limiting interested developers. Community resistance may also arise due to concerns about property values, aesthetics, or changes to neighborhood character. Manufactured homes are often perceived as having lower quality and durability compared to site-built homes, and when serving as workforce housing, they may face pushback in wealthier areas. To overcome these obstacles, engaging in careful planning, fostering community engagement, and promoting collaboration between local governments, developers, and residents is crucial.

6.2 PATTERN ZONING

Pattern zoning is an affordable, cost-effective, and high-quality land use planning approach that allows for the pre-approval of specific building types and designs within designated areas or zones. This approach streamlines the development process by providing developers with pre-approved plans that comply with zoning regulations, thereby reducing the time and costs of obtaining individual approvals for each project. Pattern zoning can include various building types, styles, and densities deemed appropriate for the area of focus, often based on considerations such as local architectural styles, community character, and infrastructure capacity.³⁴

CASE STUDY: BRYAN, TX

In Bryan, Texas, home of Texas A&M University, over the last decade the pressing need emerged to accommodate the growing need for missing middle housing options to fill the gap between single-family homes and high-density residential types with high-quality rental homes. To address this, the city implemented innovative strategies, including pattern zoning, the pre-approval of

building plans for specific styles that reflected the local vernacular architecture and suited the climate.³⁴

The approved building types included cottages, flex houses, multi-unit homes designed to look like single-family houses, and walk-up apartment buildings with up to 12 units. These building types were carefully chosen to provide low-rise density that harmonized with neighboring single-family lots.³³

To streamline the development process, the city hired licensed architects to design the buildings and provide fully permissible construction drawings, ensuring an expedited plan review for permitting. This approach allowed developers to bypass the often time-consuming process of obtaining individual zoning and regulatory approvals, saving them significant time and costs. Developers were only required to provide an approved site plan and civil engineering to be issued a building permit, further facilitating the development process.³³

Additionally, the city implemented restrictions to prevent developers from taking on more than three consecutive sites for development, ensuring a variety of designs and building types within specific zones. This strategy aimed to increase the quality and diversity of housing options in these areas and adjacent zones. Overall, Bryan's approach not only provided more housing options for the middle class but also promoted community cohesion by integrating new developments into the existing fabric of the city's neighborhoods.³³

ANALYSIS: APPLICABILITY TO UPPER VALLEY

Pattern zoning has the potential to serve as an effective strategy for promoting affordable housing in the rural Upper Valley by addressing key challenges faced by rural communities. By streamlining the development process through the pre-approval of specific building types and designs suitable for the region, pattern zoning can reduce the time and costs associated with obtaining zoning approvals. This can facilitate the construction of affordable housing units in rural areas, thereby increasing the overall housing supply and alleviating housing shortages. Furthermore, pattern zoning can be tailored to ensure that new housing developments are compatible with the existing character of rural communities, preserving their unique charm. By promoting sustainable development practices and encouraging mixed-use development, pattern zoning can foster vibrant, walkable communities where residents can easily access amenities and services, enhancing the overall quality of life in the rural Upper Valley.

However, addressing the housing crisis in rural New Hampshire and Vermont with pattern zoning presents challenges. It may limit housing diversity by restricting certain types of housing, exacerbating shortages. Overly strict regulations can increase development costs, making housing less affordable. Changing zoning regulations can be a slow process, potentially delaying new housing projects. Pattern zoning may also hinder infill development, which is crucial for increasing housing density. To effectively address the housing crisis, rural communities need to adopt flexible and

inclusive zoning practices that encourage affordable and diverse housing options while preserving the area's character and environmental integrity.

6.3 TAXING SECOND HOMES

A *second home tax* is a levy imposed on individuals who own more than one residential property, intending to discourage property speculation and increase housing availability for long-term residents. By imposing a tax on second homes, governments may incentivize property owners to either rent out their additional properties or sell them, thereby increasing the housing supply for full-time residents. This can help address affordability issues by reducing the number of properties left vacant or used solely for investment purposes, ultimately making more homes available for those needing affordable housing.³⁵

CASE STUDY: VANCOUVER, CANADA

In 2017, Vancouver's implementation of the Empty Home Tax was the city's proactive measure to address the strain of underutilized housing on the city's housing market. With rising rental and low vacancy rates, the city aimed to incentivize homeowners to rent out their properties rather than leave them empty for extended periods.³⁶

Initially set at 1 percent of the value of the vacant residential property and later increased to 1.25 percent, the tax targeted residential properties that were not used as a principal residence for at least six months of the year. The revenue generated from this tax is earmarked for affordable housing programs, such as supporting and improving cooperative housing, increasing the supply of shelter beds, and supporting renters via "renters advocacy and services" and the Vancouver Rent Bank which provides assistance to the city's low-income housing population via one-time interest free loans and referral services.³⁶

While the tax was intended to address housing scarcity and rising rents due to homeowners holding onto vacant properties, its impact has been mixed. The tax generated \$30 million in revenue in its first year, but most vacant properties were granted exemptions. These exemptions included: (1) death of the registered owner, (2) property undergoing redevelopment or major renovations, (3) property of an owner who is in care, (4) rental restriction or prohibition, (5) transfer of property, (6) occupancy for full-time employment, (7) court order, and (8) limited-use residential property. Despite this, there was a notable decrease of 200 vacant properties, representing a 15 percent decrease.³⁶

Moving forward, there is a proposal for a more comprehensive approach involving an additional, flexible surcharge on all properties valued at over \$1,000,000 while limiting the vague descriptors that govern the property exemptions. This approach would allow municipalities to adjust the tax rate based on market conditions, toggling it up during periods of overheating to discourage speculation

and down when encouraging investment is desired. This dynamic approach could help municipalities avoid housing bubbles while using the proceeds to fund affordable housing programs, providing an effective and sustainable solution to housing market challenges.³⁶

ANALYSIS: APPLICABILITY TO UPPER VALLEY

Implementing the second home tax in the Upper Valley, particularly in small towns where second home units constitute 30.6 percent of total housing units and in medium towns where they account for 23.4 percent of the housing stock, could significantly impact available affordable housing.³⁵ By levying taxes on owners of second homes, the policy might encourage these property owners to rent out their homes to long-term and short-term residents, thereby increasing the availability of rental housing. This influx of rental units could help alleviate the housing shortage and improve affordability for residents. Additionally, the revenue generated from the tax could be dedicated to affordable housing programs within these communities. This funding could be used to develop new affordable housing units, provide rental assistance to low-income residents, or support home repair and renovation programs for existing affordable housing stock. Overall, the second home tax could increase the supply of affordable housing and provide crucial funding for sustainable, affordable housing initiatives in rural places in the Upper Valley, addressing the region's housing challenges.

Implementing the vacant home tax in the Upper Valley could have several potential drawbacks. As the case study highlights, it could lead to legal and political resistance; property owners may argue that it infringes on their property rights. There could be political pushback if the tax is perceived as unfairly targeting specific owners. If this is not addressed, it could create financial disincentives for property owners, discourage regional investment, potentially lower property values, and negatively impact the local real estate market. This is especially important as it could disproportionately affect seasonal residents who use their properties only for part of the year, decreasing tourism and related economic activities. Along with equity concerns, the tax may disproportionately affect lower-income property owners or those holding onto properties for reasons such as inheritance or future retirement plans, without explicit exemptions. However, as the case study highlights, with too many exemptions, the tax may not generate enough revenue to lead to a sufficient increase in affordable housing to be allocated to affordable housing initiatives. It may also pose administrative challenges, requiring significant resources to monitor vacant properties, assess taxes, and collect payments.

To mitigate the drawbacks, several strategies could be employed. Clear communication and transparency with stakeholders about the tax's purpose and revenue allocation can build support. Ensuring the tax is legally sound and complies with regulations can minimize legal challenges. Targeted exemptions for low-income property owners or seasonal residents can address equity concerns and minimize impacts on tourism. Earmarking revenue for affordable housing initiatives, such as developing new units or providing rental assistance, can ensure the tax directly addresses the housing crisis. Investing in efficient systems for monitoring and collecting the tax can reduce administrative challenges. Engaging with local communities and housing advocates can help tailor

the tax to their needs. Regularly reviewing and adjusting the tax policy based on its impact can ensure its effectiveness in increasing affordable housing availability and sustainability in the Upper Valley.

6.4 ACCESSORY DWELLING UNITS (ADUs)

Accessory Dwelling Units (ADUs) are secondary housing units on the same grounds as the primary residence. ADUs can either be attached to the primary residence (e.g. basements or attics) or detached (e.g. standalone cottages). In recent years, ADUs have gained popularity in the effort to expand the housing supply, particularly in single-family home areas. They offer homeowners potential streams of rental income, are relatively low-cost to construct, and can be built in less time than traditional housing units. ADUs have also been praised for their role in promoting socioeconomic integration, providing independent living options for disabled individuals, and facilitating intergenerational households.³⁷

CASE STUDY: CALIFORNIA

This case study, which involved focus groups with California homeowners, identified several critical obstacles to Accessory Dwelling Unit (ADU) construction. These include high costs, limited financing options, complex processes, inadequate local support, unclear regulations, and concerns regarding tenants and the longevity of the units. To facilitate ADU construction among low- and moderate-income homeowners of color, policymakers could bolster community organizations and programs offering education and technical assistance, advocate for reduced fees and streamlined permitting, and promote solutions for bringing unpermitted units up to code.³⁸

ANALYSIS: APPLICABILITY TO UPPER VALLEY

Accessory Dwelling Units (ADUs) are effective, affordable housing options that have seen success in the Upper Valley and elsewhere. They are secondary housing units built on the same property as a primary residence and can take various forms, such as converted garages, basements, or standalone structures. ADUs provide affordable housing by utilizing existing land and infrastructure, offering a smaller, more affordable alternative to traditional housing.

However, ADUs have limitations. As drawn from the interviews with town administrators,³⁹ there are significant constraints such as that they often first go to family members of the property owner, (i.e., aging parents and/or young adults in the family) before being rented out to others. This can limit their availability to the broader community. Additionally, while ADUs can incrementally increase the affordable housing stock, their impact can be limited by zoning restrictions, financing challenges, and the incremental nature of their construction.

Despite these limitations, ADUs remain valuable for increasing affordable housing options, especially in areas like the Upper Valley. Policymakers and communities can work to address these

limitations by implementing policies that promote the construction of ADUs, such as easing zoning restrictions, providing financial incentives, and supporting programs that assist homeowners in building ADUs for rental purposes.

7 CONCLUSIONS

This report provides options to policymakers on how to mitigate the affordable and workforce housing shortage in the Upper Valley via a three-pronged approach: quantitative data analysis, expert interviews, and case study research, with supplemented information in the appendix. Our research on affordable housing is also stratified by town size. The data analysis highlights certain variables of interest that differ between small, medium, and large towns, notably: travel time to work, the percentage of second homes, and the percentage of vacant housing units. Though there are similarities between towns of the same size, there are also notable differences and heterogeneity, specifically within medium-sized towns. This means that while it is useful to look at town size stratifications, individual town characteristics are ultimately the greatest indicator for which types of affordable housing strategies best meet the town's needs.

Our expert interviews informed our research on the impact of proposed strategies and varying features of the housing landscape as their opinions represented those working in actual institutions for housing and change. Interviewing experts such as town managers and zoning administrators of varying community sizes allowed us to understand barriers unique to the different town sizes, such as a greater resistance to change or traditionalism that manifested as NIMBYism in several environments. The strongest findings were that as towns had greater populations their greater need for housing and greater capacity to facilitate higher density housing resulted in a decreased resistance to new housing developments. Experts in zoning and housing navigators advocate the need for increased middle housing and fewer zoning barriers to multiplex conversion from single-family homes so that each specific family can find the home that serves them most effectively and most cost efficiently. Interviewees who worked as town or housing planners or in affordable housing organizations focused on incremental progress while waiting for larger scale plans to unfold. The use of any measure of improvement such as allowing two ADUs or better leveraging tax credits and federal support to act as an incentive for some and a safety net for others was also discussed at length.

Due to this great breadth of strategies effective in different contexts we advise the UVLSR to adopt as many of the outlined solutions as possible. Our research points to the following comprehensive set of recommendations to be applied across all town sizes as drawn from the case studies. Firstly, adopting pattern zoning to streamline the development process and encouraging the construction of diverse housing types in small, medium and large towns. Secondly, establishing regulations to promote manufactured housing in single-family zones can significantly increase housing density, provide workforce housing, and enhance affordability across the region. Thirdly, implementing town-wide second home taxes especially in small and medium towns with the greatest percentage of

second home properties to incentivize homeowners to rent out their second homes or sell them, thereby increasing the availability of housing. The revenue generated from this tax could be allocated to affordable housing programs, further supporting the development and maintenance of affordable housing units. These strategies, when combined with the preexisting supportive measures such as accessory dwelling units (ADUs) can create more economically diverse housing options across the Upper Valley.

Each of the strategies highlighted in this report can, and will continue to, alleviate the need for more affordable housing throughout the Upper Valley. No one strategy will address the housing crisis, but rather the combination of these methods will be important to meet the Keys to the Valley goal of 10,000 new units by 2030, and ensure that all New Hampshire residents have the housing they deserve.

APPENDIX A: GRAPHS

Figure 1A

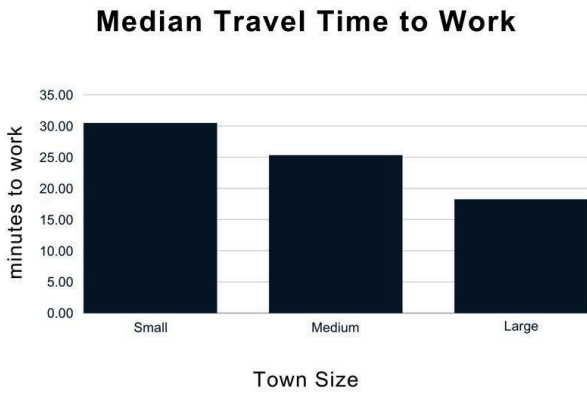


Figure 1B

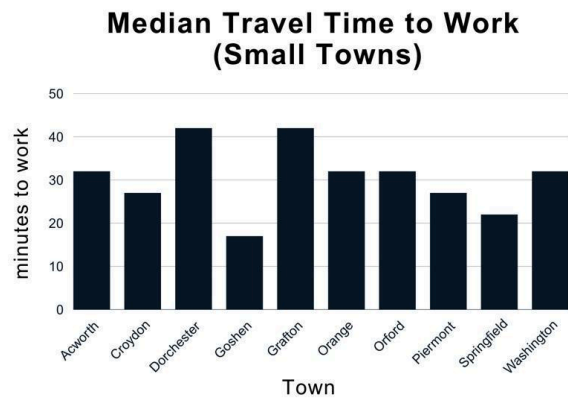


Figure 1C

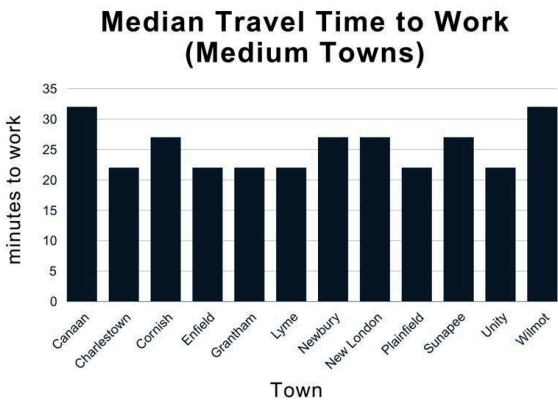
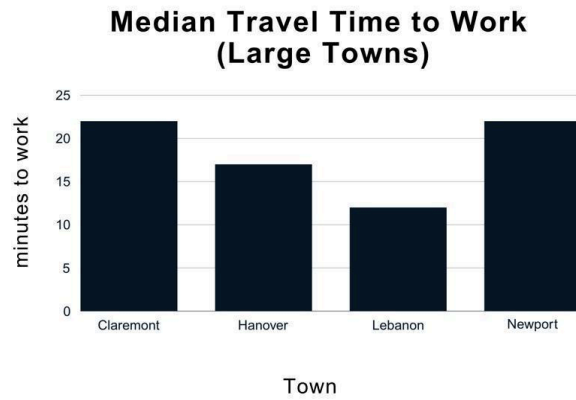


Figure 1D



Source: Authors' analysis of American Community Survey (2018-2022)

Figure 2A

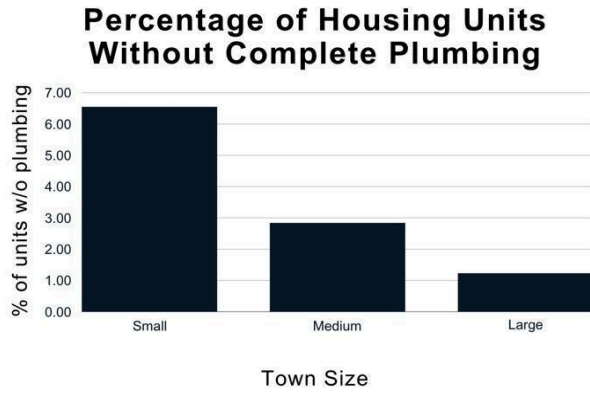


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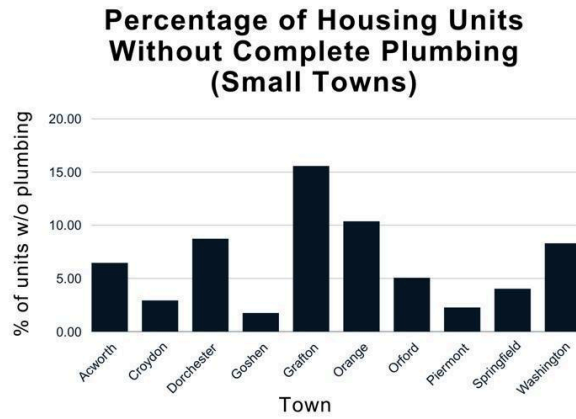


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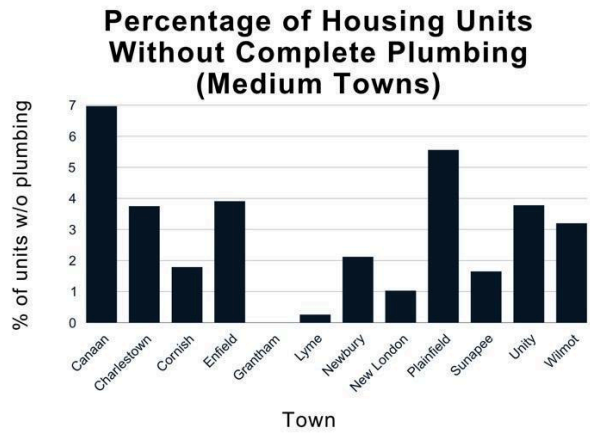
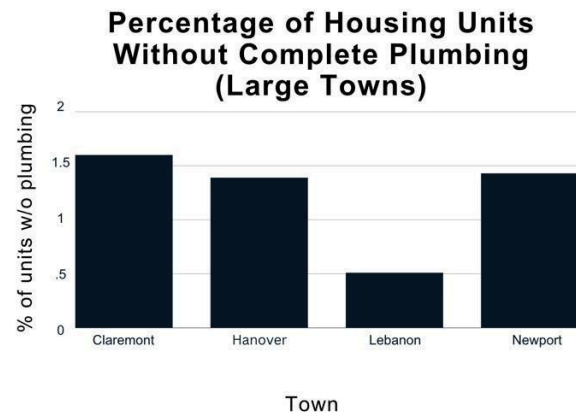


Figure 2D



Source: Authors' analysis of American Community Survey (2018-2022)

Figure 3A

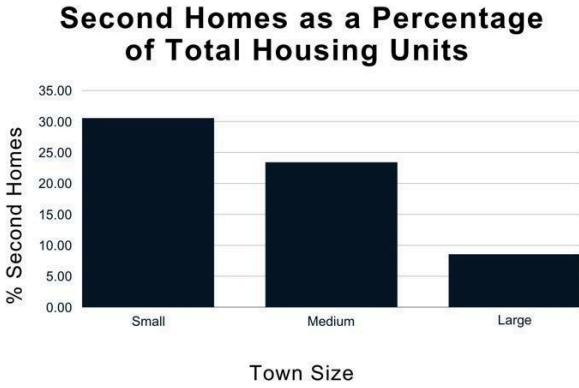


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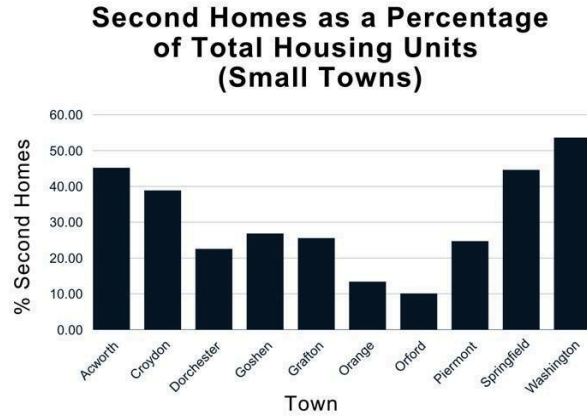


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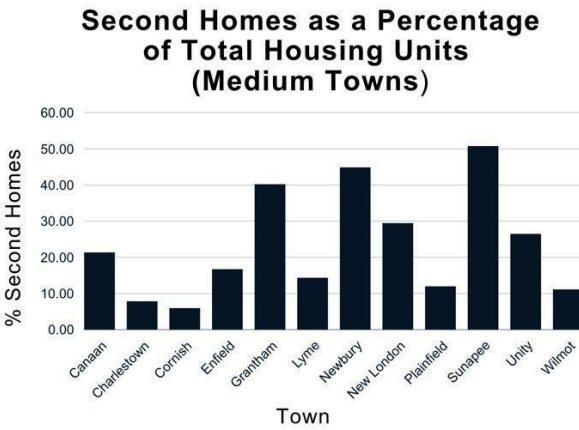
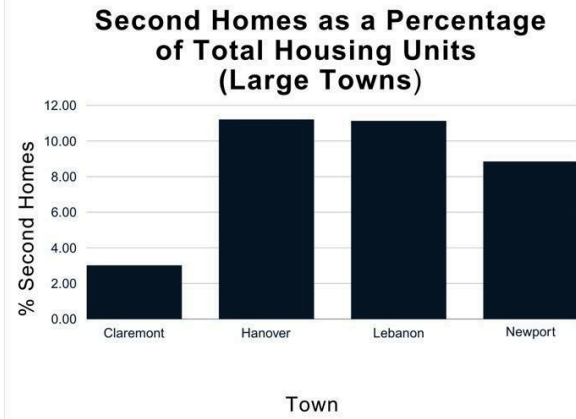


Figure 3D



Source: Authors' analysis of American Community Survey (2018-2022)

Figure 4A

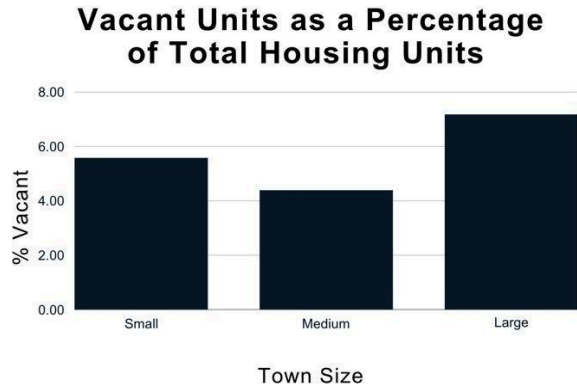


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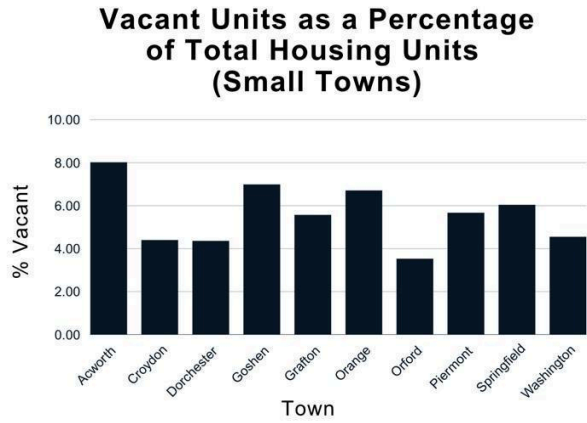
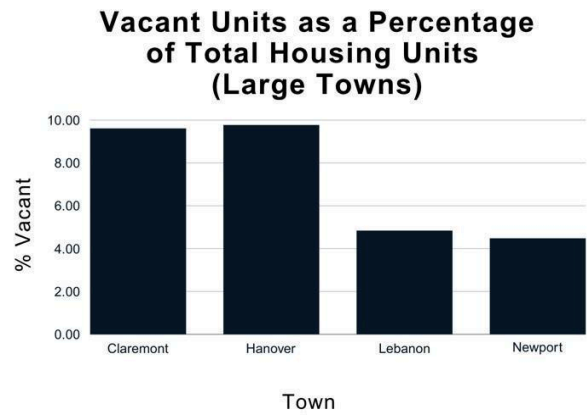


Figure 4C



Figure 4D



Source: Authors' analysis of American Community Survey (2018-2022)

Figure 5A

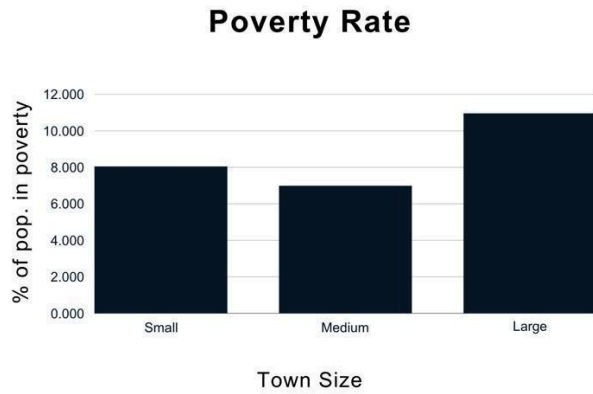


Figure 5B

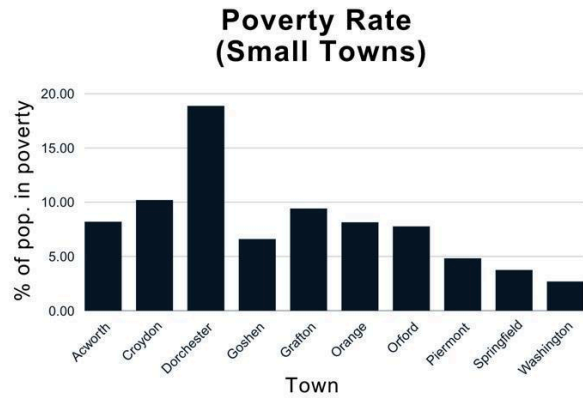


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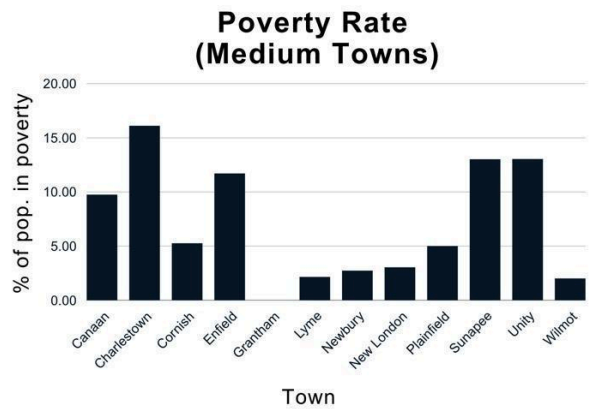
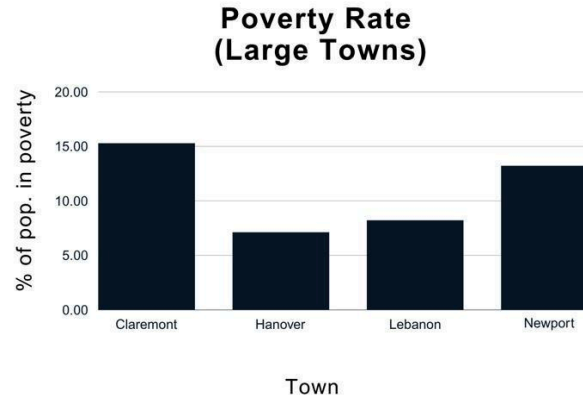


Figure 5D



Source: Authors' analysis of American Community Survey (2018-2022)

Figure 6A

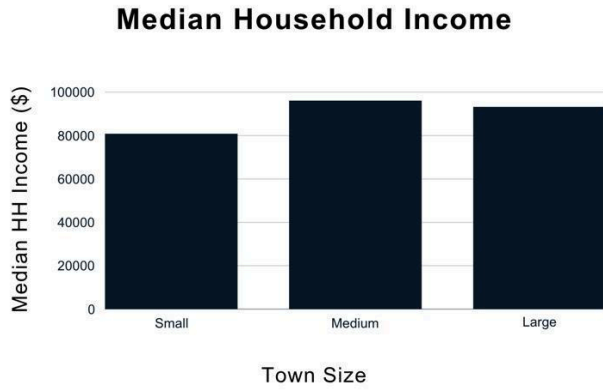


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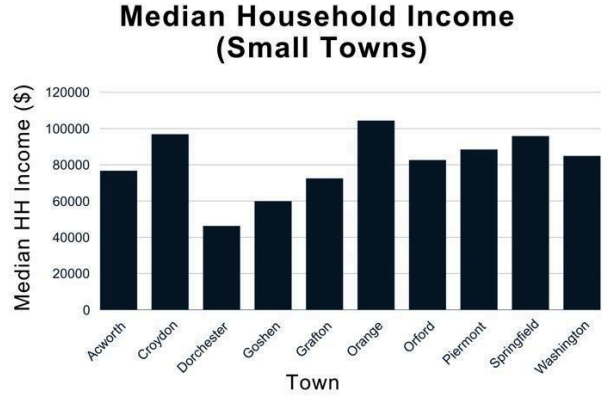


Figure 6C

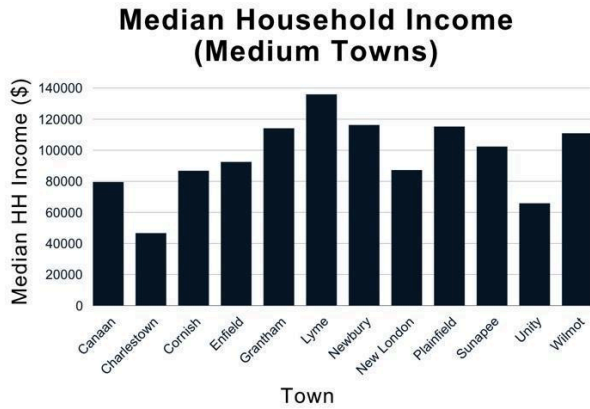
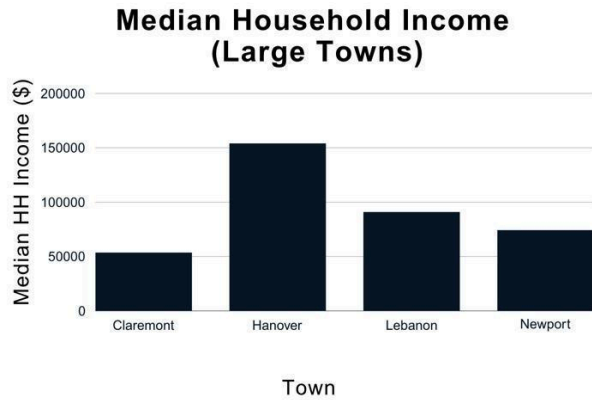


Figure 6D



Source: Authors' analysis of American Community Survey (2018-2022)

Figure 7A

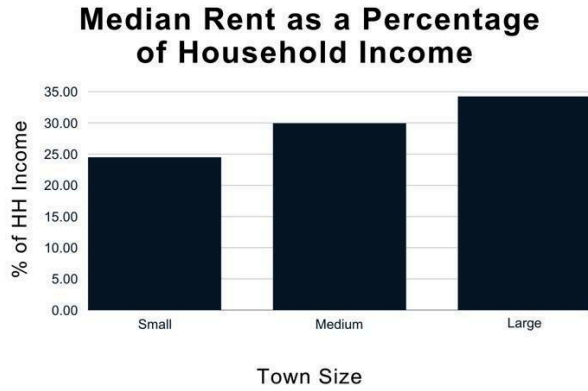


Figure 7B

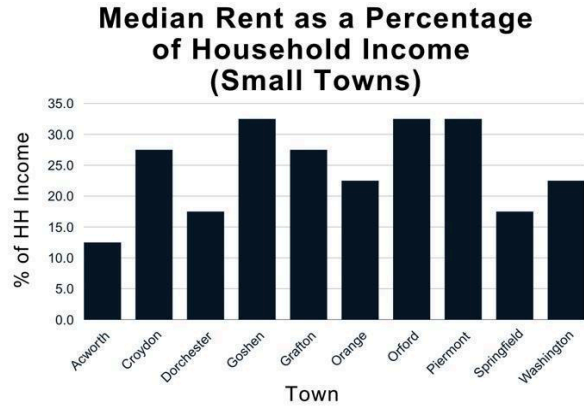


Figure 7C

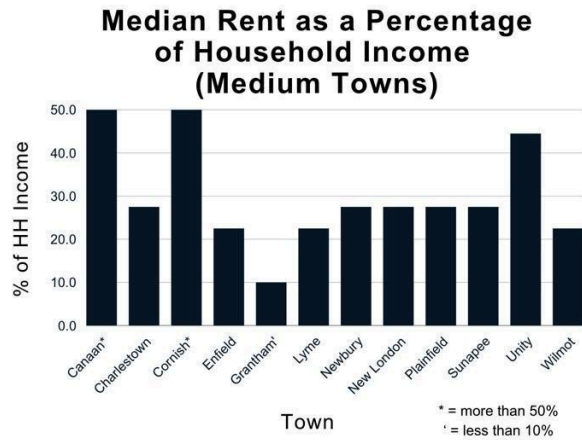
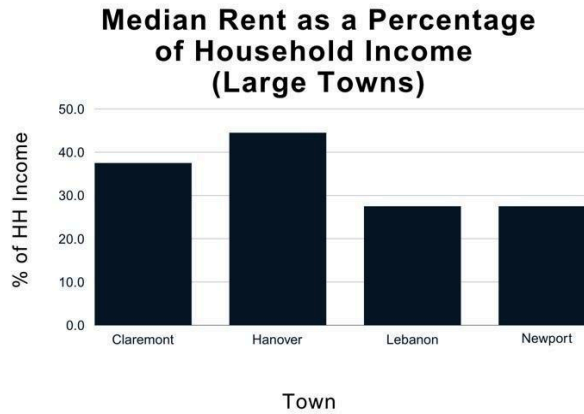


Figure 7D



Source: Authors' analysis of American Community Survey (2018-2022)

Figure 8A

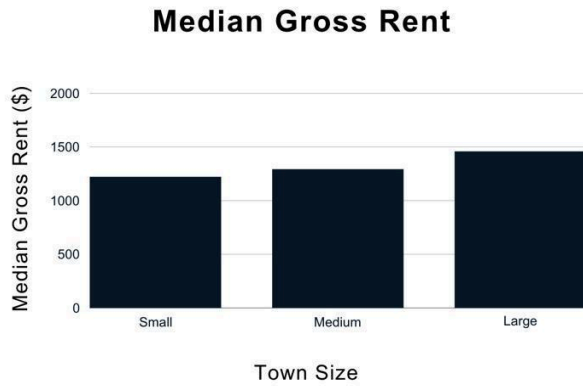


Figure 8B

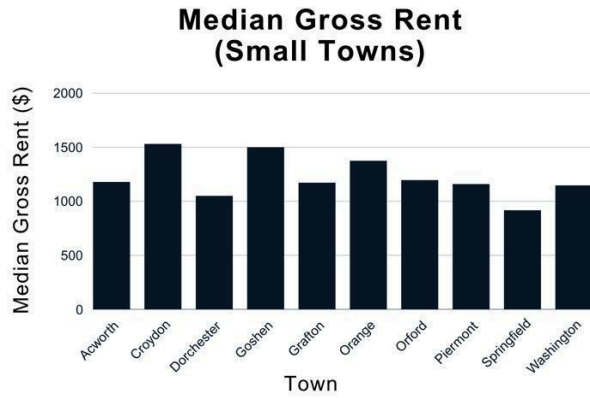


Figure 8C

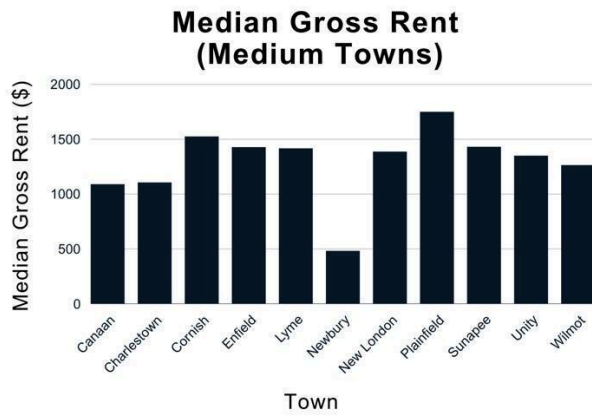
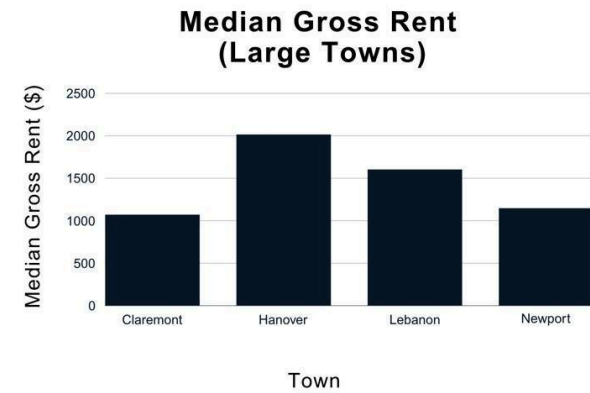


Figure 8D



Source: Authors' analysis of American Community Survey (2018-2022)

Figure 9A

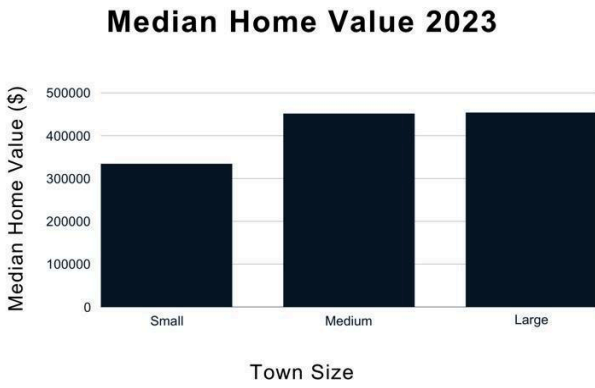


Figure 9B

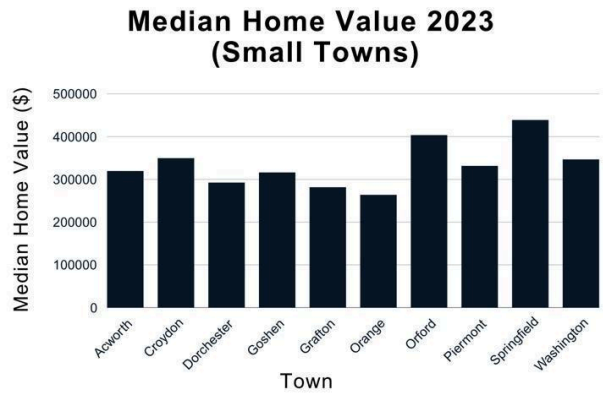


Figure 9C

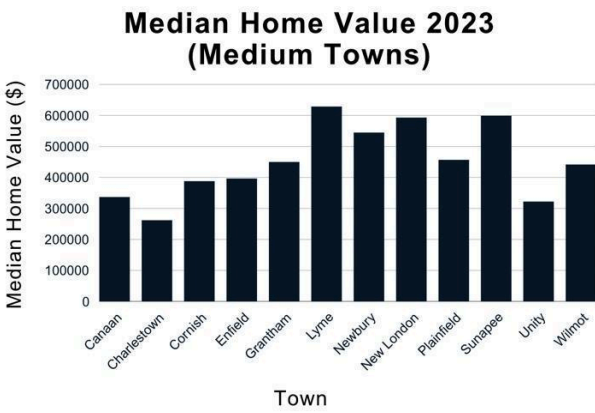
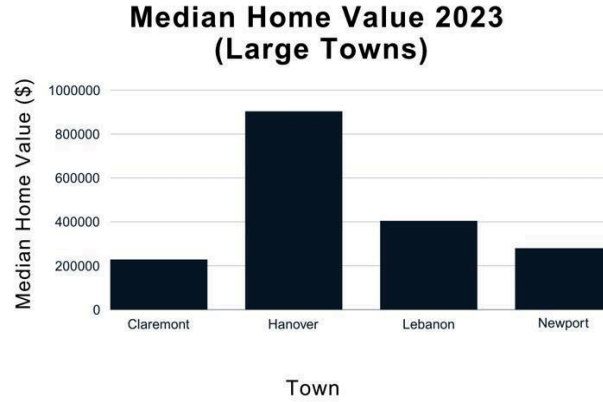


Figure 9D



Source: Zillow 2023

APPENDIX B: REFERENCES

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⁶"HUD Archives: Good Stories." U.S. Department of Housing and Urban Development, Accessed January 20, 2024.

<https://archives.hud.gov/local/nv/goodstories/2006-04-06glos.cfm>

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⁸"Humanizing Data: Area Median Income (AMI) and Affordable Housing Policy." Camoin Associates, Accessed April 6, 2024.

<https://camoinassociates.com/resources/humanizing-data-area-median-income-ami-and-affordable-housing-policy/>

⁹Intake interview, November, 2023

¹⁰Expert Interviews, March, 2024

¹¹Ibid

¹²Upper Valley Lake Sunapee Regional Planning Commission. *Upper Valley Lake Sunapee Regional Housing Needs Assessment 2023*, 2023.

OG INTERVIEW ¹³

¹⁴ACS Data

Data Section:

¹⁵ Expert Interviews, February, 2024

¹⁶Upper Valley Lake Sunapee Regional Planning Commission. *Upper Valley Lake Sunapee Regional Housing Needs Assessment 2023*, 2023.

¹⁷“Service Map.” Advance Transit. Accessed March 8, 2024.
<https://advancetransit.com/service-map/>.

¹⁸Expert Interviews, February, 2024

¹⁹Ibid

²⁰Ibid

²¹The ACS also includes second homes in this category, but we have chosen to subtract those from the total percentage of vacancies to focus on other housing units in this category since we want to analyze these effects separately.

²²It is important to point out that the medians of this variable may not all be reliable. This is because the way that ACS survey question was formatted makes it difficult to construct some accurate medians. Specifically, the most common response to this question in Cornish and Canaan was “more than 50%” while in Grantham the most common response was “less than 10%” so we do not know the exact median values for these towns (see Appendix Figure 7C)

²³Expert Interviews, February, 2024

²⁴Ibid

Expert Interviews:

²⁵"Missing Middle Housing." Accessed March, 10, 2024.

(<https://missingmiddlehousing.com/>).

²⁶Expert Interviews, February, 2024

²⁷Expert Interviews, March, 2024

²⁸Ibid

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³¹U.S. Department of Housing and Urban Development. "Manufactured Housing." Accessed March 8, 2023, https://www.hud.gov/program_offices/housing/rmra/mhs/faqs.

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³⁷Appendix, Figure 3A

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