

**OPTIONS FOR LOW AND MODERATE INCOME HOUSING
REHABILITATION IN NEW HAMPSHIRE'S "NORTH COUNTRY"**

**New Hampshire College C.E.D. Program
Final Report: Independent Study Project
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TABLE OF CONTENTS

I.	The Problem.....	1
II.	The Project and Its Goals.....	4
III.	Proposed Methods.....	5
IV.	What Actually Happened.....	6
V.	The Results.....	11
VI.	Analysis/Recommendations.....	13
VII.	Where Do We Go From Here?.....	19
VIII.	Appendix.....	21

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I. The Problem

Rural northern New Hampshire, from Plymouth north to the Canadian border, is the least affluent region in the state. While comprising almost one half of New Hampshire's geographical area, the region is home to less than one tenth of its population. Although affordable housing may take many other forms in more densely populated regions of the United States, here it consists almost exclusively of older single-family homes and mobile homes (some owned/some rented), and small multifamily (6 units or less) rental buildings. This being the case, the effort to provide safe, sanitary, decent affordable housing centers on small-scale housing rehabilitation, and will continue to do so for the foreseeable future. With an average home sale price of \$95,300 (the average for new homes is \$108,300)¹ and a median household income of approximately \$35,500², an ongoing rehabilitation program for existing rental and owner-occupied housing is crucial to the well-being of low and moderate income North Country citizens.

¹New Hampshire Housing Finance Authority. New Hampshire Housing Market Analysis: Plymouth/Berlin Areas 1990. Prepared by Applied Economic Research, Inc.

²New Hampshire Office of State Planning. Prepared 2/1/91.

Options for North Country Housing Rehabilitation (cont.)

Only two agencies have been actively providing housing rehabilitation services to the region's lower income residents during the past five years: North Country Council, the regional planning commission, has administered Community Development Block Grant projects in several towns, and Tri-County Community Action has a Weatherization Program which focuses exclusively on energy conservation measures. Tri-County CAP's projects, besides being limited in scope, have very few funds available per unit, necessitating a "band-aid" approach with negligible long-lasting results. The CDBG grant projects, while much more comprehensive (up to \$18,000 per unit), require personnel equally adept in human relations and housing rehab, are extremely labor-intensive to administer, and have a very short lifespan of 18 months, which is made even more difficult by a short construction season. Another organization, Northern Community Housing Corporation, specializes in new construction and builds primarily elderly housing units.

The CDBG housing rehabilitation grants, which I have worked on for the past six years, have focused mainly on providing grants and loans to low and moderate income owner/occupants of single-family homes. Although single- and multi-family rental properties are usually eligible for CDBG funds, most towns require landlords to provide matching funds, and few have been willing to do so. This is unfortunate, for the housing in the worst condition in most area towns is the rental housing. However, there is a fine line between trying to help those who need it most (the tenants) and not

Options for North Country Housing Rehabilitation (cont.)

excessively benefiting those who deserve it least (the landlords). Most towns have chosen to be too strict rather than too lenient with their matching fund requirements, leaving the majority of multifamily properties unimproved.

The governing body in a New Hampshire town is called the Board of Selectmen ("Selectpersons" in some towns), and these three elected officers are paid an average of \$500 per year each for performing this thankless task. Overwhelmed by massive amounts of government regulations and endless paperwork, beset by a never-ending stream of complaints about every aspect of town life, the Board typically pays no attention to a housing rehab grant until someone complains. The small size of northern New Hampshire towns ensures that the CDBG projects always operate in a "fish bowl", and this fact of rural life leaves the projects wide open to second-guessing from a variety of quarters, and when a local citizen complains to a Selectman, the administrator is taken to task. Tight CDBG budgets, finite grant periods, and short North Country building seasons don't allow much room for protracted struggles arising from perceived inadequacies at individual rehab projects. In other words, without a local commitment to these potentially very political projects, the financial risk of administering the projects is just too great. Protracted legal and municipal battles over supposed North Country Council malfeasance on rehab projects in two towns almost bankrupted the Council in 1989-90, and its finances are still quite shaky.

Options for North Country Housing Rehabilitation (cont.)

During the summer of 1990, the Council's perilous financial condition and ongoing leadership vacuum led to an outside assessment of the agency's work; this evaluation, which included recommendations for the future, was performed by a former executive director of the organization. The evaluation recommended, among other things, that the Council get out of the housing business, due primarily to the CDBG Program's poor cash flow, its potential for generating litigious situations, its labor-intensive nature, and its overall difficulty to administer. As the Council had endured two years of almost constant CDBG difficulties until that point, there was growing sentiment on the board of directors in favor of terminating the organization's involvement in housing. Indeed, as a regional planning commission, North Country Council's role as a housing administrator may not have been appropriate; however, to those of us who worked in the field every day, it was clearly work which needed to be done.

II. The Project and Its Goals

The first phase of the work/study project which I proposed to undertake was intended to address this question: what is the most effective way to provide comprehensive housing rehabilitation services designed to meet the need of low and moderate income northern New Hampshire residents for safe, sanitary, decent and affordable housing on an ongoing basis? Upon completion of this analysis, the second phase of the project was to examine the

Options for North Country Housing Rehabilitation (cont.)

alternatives for improving (and perhaps expanding) the region's low/mod housing services and to explore a variety of options aimed at making such services more self-sustaining. The third, and final, phase of the project was to implement the study's recommended plan of action. This was to entail as little as fine-tuning existing mechanisms, or as much as creating a new comprehensive housing corporation. Depending upon the scope of the study's recommendations, the degree of implementation would range from 100% in the case of minimal organizational adjustment to laying the legal and financial groundwork for the creation of a new nonprofit affordable housing corporation.

III. Proposed Methods

The project was to begin with an assessment of the region's "low/mod" housing needs, the perceptions of providers and financial institutions, and an analysis of the services currently being offered to meet those needs. This information was to be gathered through surveys and interviews of bankers and housing service providers. The analysis was intended to focus on the strengths and weaknesses of the current range of financial and technical services available, and to identify problems encountered by those providing services, the degree of coordination among the providers, and the perceived needs which are not being adequately addressed. Survey participants were to be requested to suggest improvements on current services and were to be encouraged to participate throughout the entire project process.

Options for North Country Housing Rehabilitation (cont.)

Another survey was to be conducted of the other providers of housing services to low and moderate income households in the area, to determine how those agencies perceived both the current situation and their roles in the region's affordable housing future. I then planned to combine that information with the bank survey data and a general assessment of existing conditions, preparing an analysis of the current state of affairs in the North Country's affordable housing sector and recommendations for its future; the goal of this study would be to recommend the most comprehensive approach possible for meeting the region's affordable housing needs. In preparing the report, every conceivable option (i.e., elimination of all or some services, status quo, different roles for the provider agencies, creation of a new provider entity, for-profit and/or nonprofit subsidiaries, etc.) was to be investigated, and the input of the other agencies was to be encouraged throughout the process, including assistance in identifying future options. I then was to submit a final document to each participating entity and to begin implementing the report's conclusions.

IV. What Actually Happened

The survey of the region's banks was indeed performed in the spring, with 9 of the region's 11 banks participating. I met with each banker responsible for completing the survey to discuss the project beforehand, which I believe helped a great deal to improve

Options for North Country Housing Rehabilitation (cont.)

the response rate. When I didn't receive responses from two banks within a reasonable period of time, I followed up with telephone calls and two reminder letters, the second of which contained a self-addressed stamped envelope; although neither bank did ultimately complete the survey, I am quite sure that in each case the non-response was intended, rather than an oversight.

During the period when I was conducting the bank surveys, two events occurred which had profound effects on the direction of this project. First, at the March meeting of the Council's Board of Directors, the Board requested that I prepare a position paper on the subject of the CDBG programs, to be presented along with any proposal I wished to make regarding the creation of a "spin-off" housing/community development organization to take over the housing aspect. Second, the day before I was to make that proposal, the New Hampshire Office of State Planning announced the annual Community Development Block Grant awards for fiscal year 1992. As CD Director of the Council, I had submitted 5 housing rehabilitation grant applications for member towns in January and was confident that at least 3 would be approved. To my surprise and dismay, none of our housing applications was funded, due primarily to a rule change giving preference to projects guaranteeing long-term affordability, always the Achilles' heel of the basic housing rehab program. This turn of events drastically altered my perspective on this work/ study project, the future of housing rehab efforts in the North Country, the employment status

Options for North Country Housing Rehabilitation (cont.)

of my staff of 7, and the relevance of requesting to spin off a department which had just been effectively delivered a mortal blow. In effect, as of June 1992 there would be work at the Council for no more than one or two of us at most.

Although I had intended to prepare an instrument such as the bank survey for the other housing providers, the request by the Council's board of directors accelerated my project's timetable. Instead of using a written survey, I interviewed the directors of Tri-County CAP (Larry Kelly) and Northern Community Housing Corp. (Christine Owre) promptly after the Council's Board requested that I make the spin-off proposal; the most crucial aspect of those interviews was now whether either organization might feel threatened by the creation of a new entity, and this issue was much more appropriately dealt with in person. To my relief, both Larry and Christine were extremely enthusiastic and supportive of the concept of a new organization, and each pledged full support and cooperation; however, both were skeptical about the new organization's ability to support itself financially. While somewhat sobered by their fiscal prognostications, I was elated that neither perceived the new organization filling a niche which threatened them.

The meeting with the North Country Council Board of Directors was the last major piece in the political jigsaw puzzle surrounding the potential creation of a new regional nonprofit housing organization. Even though I had spent an entire week crafting what

Options for North Country Housing Rehabilitation (cont.)

I felt was a solid and well-reasoned proposal, I had never been before the Board and had no idea what to expect in the way of a response. For that matter, nothing could have prepared me adequately for the response which I received: 5 minutes into my presentation (I was to speak 30 minutes before taking questions), a board member interrupted with a question totally unrelated to the matter at hand, and the meeting turned into a free-for-all. The Board never did return to the proposal, and I never did return to the Board. Although the Council might still be able to wield some political power, its real leverage, the CDBG grants it administered, had been reduced considerably, if not eliminated entirely, by the failure to receive funding for its 1992 projects. I felt then that if I waited much longer for the blessing by the Council's Board of a new organization, the CDBG funding cycles would seriously delay, or even prevent, the nonprofit's creation.

Knowing that I had the support of Tri-County CAP, NCHC, and the New Hampshire Office of State Planning, and having seen for myself that the Council's internal organizational chaos made decision-making virtually impossible, I decided to move forward with a quick and dirty examination of implementation options: quick and dirty, because the once-per-year deadline for CDBG feasibility study grants (up to \$12,000 per study) was due on the fourth Monday in May, only one month hence. The feasibility study grants are a wonderful opportunity to examine project options in preparation for the January implementation grant deadline, and I decided to ask two

Options for North Country Housing Rehabilitation (cont.)

towns which had just had their grant applications rejected if they were interested in applying for feasibility funds to examine their housing options more closely. Both towns (Lancaster in Coos County, and Woodstock in Grafton County) agreed, and I wrote and submitted applications on their behalf. Both applications were funded, and the projects were scheduled for October, when the funds would be available.

It was at this point that this study ceased to center on a thoughtful step-by-step analysis of housing issues and recommendations for addressing them, and became instead a strategy for creating a community housing development organization. Drawing on the knowledge, information and skills acquired in our Organizational Management classes and dovetailing perfectly with our Fundraising course, which contained an ongoing organizational development/fundraising plan, I began working towards convening two organizing groups, one in each county, to examine the possibility of creating a nonprofit affordable housing organization for the North Country.

For the remainder of the C.E.D. Program, creating this organization has been my project. My methods, strategies, and procedures have come straight from Organizational Management class. Strategic planning, meeting management, inclusion, delegation, and a seemingly endless amount of time and energy have been the key elements in the evolution of the organization thus far. In order to put the necessary time into the project, I resigned my position

Options for North Country Housing Rehabilitation (cont.)

at the Council effective October 1st, realizing that it would take virtually all of my time from then until the CDBG deadline of January 27th to prepare for the applications so crucial to the establishment of the new organization.

V. The Results

The accomplishments of this project have far surpassed anything I might have imagined beforehand. The first success was the response to the bank survey, not so much because of the actual information provided by the bankers (most of the responses were to be anticipated, as evidenced by the survey summary in the appendix) but because of the communication lines which the process opened up between the nonprofit housing sector and the banking community. At least half of the bankers I talked with seemed genuinely glad to find someone "from the other side" with whom they could work...one has even become the president of my Board of Directors! Building relationships between the nonprofit and for-profit communities can only serve to strengthen us all in the long run.

The second accomplishment was the process of making two successful pilot CDBG affordable housing feasibility applications after having our bread-and-butter programs go unfunded for the 1992 fiscal year. This entailed a great deal of fast thinking, sweet talking, and last-minute work to happen, but the ultimate approval of the applications by the Office of State Planning was quite satisfying. On the downside, one of the two communities sponsoring

Options for North Country Housing Rehabilitation (cont.)

the innovative applications decided to refuse its grant after receiving funding, but I'll discuss that issue later.

The third, and by far the most significant, achievement of this project was the creation of Affordable Housing, Education and Development (AHEAD) Inc., a not-for-profit community development corporation intended to serve the housing needs of low and moderate income families in Coos and northern Grafton Counties of New Hampshire. This process began with the non-funding of North Country Council's 1992 grant applications in April, grew throughout the summer with the formation and merger of the organizing groups, and culminated in the entity's incorporation in October.

AHEAD has an 11-member Board of Directors, representing a variety of backgrounds, interests, and incomes (one-third of the board seats are reserved for low or moderate income persons). Our five standing committees (Outreach, Finance/Fundraising, Education, Process, and Acquisition/Rehabilitation) are presently working together or separately on several projects:

- * Outreach is preparing our logo, brochure, newspaper articles, arranging radio interviews, and preparing intake documents and membership strategies;
- * Finance/Fundraising, having established our first budget and internal controls, is in the midst of orchestrating our first fundraising drive and is preparing a second submission for a grant from a private foundation;
- * Education is working on a first-time homebuyer education program, in concert with the University of New Hampshire Cooperative Extension and Peoples Bank of Littleton, and is planning a mortgage crisis counseling service;

Options for North Country Housing Rehabilitation (cont.)

- * Process, having prepared our Articles of Association and Bylaws, is preparing our IRS 501(c)(3) application;
- * Acquisition/Rehab is preparing a technical assistance program for lower income homeowners wishing to do their own home repairs, a cooperative program between landlords and tenants to weatherize and conserve energy in apartment buildings and share the resultant savings, and is working up cost estimates for one of our two CDBG applications due January 27th, a project to purchase, rehabilitate and operate multifamily rental housing in northern Grafton County.

The full chronology of AHEAD's birth is included in the appendix of this report. What will not be evident there is the amount of confidence and empowerment which I acquired during the process of creating and building a new organization, as well as the energy and enthusiasm of the other organizers and the support, encouragement, and clear-headed assistance of the C.E.D. Housing Project Group. Although I might like to flatter myself by pretending that AHEAD would have happened even without the catalyst of the C.E.D. Program, it certainly never would have happened so fast or started on such a firm foundation.

VI. Analysis/Recommendations

By far the most interesting thing I learned about the original problem while undertaking this project was that the real problem isn't always what we think it is. I had originally hoped that the only sensible option to come out of the project would be to start a new grassroots affordable housing organization, but I had expected resistance from virtually every agency involved, and this suspicion was the major reason that I had planned such a slow and

Options for North Country Housing Rehabilitation (cont.)

careful process. To my surprise, the basic response from both North Country Council's executive director and from NCHC's president was pessimistic but supportive: the translation being "it's been tried before, there's no money to do it, it's too risky, you're going to fail, but go for it". Tri-County CAP, on the other hand, has been really enthusiastic throughout, as evidenced by its role as AHEAD's fiscal sponsor. While pleasantly surprised by the support from Tri-County CAP, the complacency and the somewhat backhanded support of the Council and NCHC were disillusioning.

I learned a surprising amount from the bank survey, more from my conversations with the bankers than from the survey itself; personalities, attitudes and perceptions mean a great deal to a fledgling organization, and the interview process was very revealing. Oddly enough, I feel a lot more comfortable about AHEAD's ability to deal with the area's banks now than I do about its ability to deal with some of the other nonprofits. Also, I found that there are many other people out there who feel strongly about the need for a comprehensive response to the issues confronting lower income people, rather than the band-aid programs we see now; when I talked about housing alone, the response was lukewarm; when I talked about education and economic empowerment as well, people began to get interested.

This project has been enormously successful. If someone had projected even 12 months ago that I would see virtually my entire department defunded in April, only to form a new community housing

Options for North Country Housing Rehabilitation (cont.)

development organization which filed two CDBG grant applications of its own the following January, I would have laughed. But that is exactly what we have done, and even if AHEAD's grant applications aren't funded this April and the organization flounders, we will still have succeeded beyond my wildest dreams.

Why have we succeeded? Several reasons come to mind, and each, when taken alone or out of context, might seem unimportant or trivial to a non-participant in the process; however, I cannot emphasize enough how critical the little things have been. When I first prepared the banking survey, I was quite certain that to send the survey to unknown bankers without any introduction was to set myself up for failure. Therefore, I made appointments and met with each bank officer before distributing the survey, in part to give the bankers some background about the project and in part to give myself a feel for the bankers' attitudes about (and understanding of) affordable housing issues. I furnished each one with a short description of the various affordable housing models being used elsewhere in the country and tried to appeal to the banks' self-interests. I worked hard to describe the project and its goals as cooperative, not adversarial. I also tried to make the process as simple as possible, even to the extent of doing a "dry run" with a banker whom I already knew personally.

As the study rapidly evolved into an organizational development project, the lessons from the bank survey process combined with those being learned in Organizational Management class to help me

Options for North Country Housing Rehabilitation (cont.)

form a sound, step-by-step strategic planning process for starting a new organization. Some of the key components of our success to date have been the following:

- * **"Keep it simple, stupid":** truer words were never spoken.
- * **Know your audience:** discuss issues from your listeners' perspectives and appeal to their self-interests.

A good example of this is a recent discussion I had with a local banker whom I needed to participate as a lender in a CDBG rental housing project: I spent the better part of a half hour extolling the wonderful community benefits of this terrific project, with noticeably little success. Plowing ahead, I showed him a sample pro forma from the project, and he asked how much equity we expected to invest in the deal. When I answered 50%, he immediately agreed to participate.

- * **Prepare your meetings thoroughly:** every meeting you have with a group could be the last one...don't ever waste people's time! An added bonus we found here was that no one in our organizing group (myself included) had ever participated on a board or a committee before which had short, detailed, organized meetings. We have gotten more mileage out of the excellent meetings we conduct than anything else.

Probably the most revealing proof of the importance of this element was the August meeting of the Education Committee: I was pretty well burned out in August, and decided that I could finesse one meeting without suffering any great consequences. The meeting ended up being almost totally unproductive, and I came out of it feeling both disappointed and guilty for being unprepared; if that weren't enough incentive, two committee members told other organizers in the group that they had been disappointed as well. So much for relying on my good looks and boyish charm...don't ever let up!

- * **Delegate, and be specific about it:** during our formative period from May through September, I tried to do everything myself and started to burn out. Facing the reality of the overwhelming amount of work to be done, I started making lists of the objectives to be accomplished during the ensuing six months. Lo and behold, when broken down into tasks, it was much easier for me to decide **who** might be willing and able to do **what**, and also easier for those given tasks to take responsibility for and successfully complete what they were asked to do.

Options for North Country Housing Rehabilitation (cont.)

- * **Reinforce:** under this heading also fall "evaluate, encourage, praise, remind", and sometimes even "pester". I can't help noticing too that this is the same recipe we use with our children. The key component is to remember to emphasize the values we bring to our organizations: why are we doing this stuff? (I can't forget to mention Stephen R. Covey's book, The 7 Habits of Highly Effective People: Powerful Lessons in Personal Change, which has been a terrific help in making me see that organizational and personal management tools are only so many gimmicks if we don't place them in the perspective of our values and aspirations)

As successful as this project has been, we have had our failures, both large and small (some of the small ones have been alluded to earlier in this section). The first major failure occurred when the Board of Selectmen in Lancaster decided to refuse the \$12,000 it was to receive to study the housing issues of the town's lower income households. Although I spent many hours and practiced all my freshly-learned techniques from Michael's Negotiating Strategies course, the Board turned down the grant anyway. It became painfully clear to me after the last gasp that I had made two major blunders in the process: first, I had failed to mobilize enough local support for the effort and was therefore unable to keep the pressure on the Selectmen; and second, I spent so many hours negotiating with the Board and preparing various responses to its arguments that I never realized until too late that I was negotiating against their excuses, not against their true concerns. No matter how many excuses I refuted, it really came down to the fact that the Board really didn't support what they perceived as increased welfare housing for the area's deadbeats. They obviously

Options for North Country Housing Rehabilitation (cont.)

weren't going to say it aloud, so I ended up doing an extended Don Quixote bit. As it turned out, I didn't have time to perform two feasibility studies before CDBG grant application time, but the loss of the Lancaster grant was still a setback.

Our second failure seems to have been our initial fundraising/membership drive, which began in early November. The goal of the drive was not a financial one, but rather to involve every Board member in the fundraising effort. Each Board member was to submit 10 names to solicit, which were then to be cross-referenced to avoid duplication. I furnished each member with 10 mailing packets, needing only a short greeting and an address to be sent out. Although I haven't investigated thoroughly (and don't intend to), probably less than half of the letters were sent out. With the crush of the CDBG grant application period upon me, I wasn't able to follow up as I would have liked, and by the time I suspected that the assignment was proving difficult, it was too late to appoint anyone else to the position of "chief cajoler". There was some sentiment that the economy and the timing (during the holiday season) were contributing factors, but I still suspect that the response would have been greater if all the letters had actually been sent. So we'll chalk one up to experience and work harder at involving everyone in the effort next time.

The two most pervasive community attitudes which I encountered during the project were both familiar to me at the beginning, although I had hoped that one of them, apathy, was not so prevalent

Options for North Country Housing Rehabilitation (cont.)

in the so-called "activist" element of North Country society. I expected many people to sit back and wait for us to fail, but was very surprised at some of those who voiced the all-too-often-heard refrain, "you can't do that in the North Country". The other attitude was/is the "bus ticket syndrome": just buy 'em a bus ticket to anywhere they want to go, and we've solved the area's low income problem. As I said, it's not a sentiment that I haven't heard expressed a hundred times before. Most Boards of Selectmen in the region view their towns as if they exist in a vacuum, as if nothing that happens there has an effect on life in another town and vice versa. Shortsightedness is certainly not merely a national political phenomenon.

VII. Where Do We Go From Here?

The first thing I'll do is to attempt to hold my breath until the New Hampshire Office of State Planning announces the CDBG awards for 1992 in April. Aside from that activity, I will concentrate on AHEAD's organizational development, which the CDBG application period has forced me to put on hold since late November. That work will entail coordinating the activities of the various committees, with a strong emphasis on outreach, fundraising, and project development. We will continue to cultivate a regional approach, especially in Coos County, where our efforts have been weakest so far (the failure of the Lancaster study to go forward was a real disappointment, as we had intended

Options for North Country Housing Rehabilitation (cont.)

it to be a cornerstone project for Coos). We will definitely apply for another housing feasibility study, and will complete the one in Woodstock.

We must seek out and develop more potential lower income Board members, and strive to keep all of our members informed and involved. We will soon be implementing several different education/technical assistance programs: a technical assistance program for existing homeowners wishing to do sweat equity work; an education program with financial incentives like lower interest rates for potential first-time homebuyers; a mortgage crisis counseling program; and a variety of programs for tenants. We have begun to develop a program to manage foreclosed rental properties owned by out-of-state banks. We will continue to talk with Boards of Selectmen in Coos County as we have in Grafton County (working through the counties helps alleviate towns' fears that they will have more than their fair share of affordable housing, a good first step towards breaking down the false notions so widely held).

Who knows? If we succeed, we might even earn enough money to pay the executive director a salary!