

**Affordable Housing 101:**  
**Seven Steps to Developing Affordable Housing in Your Town:**  
*Lessons Learned in Southern Maine and Seacoast New Hampshire*

Communities across the country are taking action to ensure that housing options include the full range of income levels. Successful strategies from Maine and New Hampshire have been gathered to provide municipal officials and board members with a recommended step-by-step approach to achieving affordable housing goals.

Step 1: Set a community goal.

Maine's Growth Management Act and most Maine towns have set a goal of 10% affordable housing as a critical community need. And according to state statute, New Hampshire communities should not prohibit or discourage affordable housing (RSA 672). Successful affordable housing goals are those that are supported by the community *before* discussion of any particular development project. Public dialogue is needed to engage residents in the issue and provide an opportunity for addressing concerns, in order to confront common negative perceptions of affordable housing. Because some of these perceptions are not based in fact, the Workforce Housing Coalition of the Greater Seacoast has developed a fact sheet addressing the myths of affordable housing.<sup>1</sup>

John Hodge, director of the Brunswick Housing Authority, recommends a few simple talking points for addressing these myths. For example, affordable housing serves working, property tax-paying families who need good credit to be eligible for rental units or to qualify for a mortgage.<sup>2</sup>

Affordable housing developer Nathan Szanton also notes that press coverage throughout the development process provides a forum for communication with the public about these myths. He is regularly contacted by readers with questions and offers of support. In this way, a network of local support can be garnered. Often these supporters share insights in their neighborhoods and speak in favor of the project at public hearings.<sup>3</sup>

Vermont planner Elizabeth Humstone recommends humanizing the issue. Often hard-working, well-respected members of the community are eligible for affordable housing and are willing to directly link their names to the issue.<sup>4</sup>

Focusing local energy and attention on the need for affordable housing, communities have formed affordable housing committees that are either an official entity of the town or an independent entity. Examples from our case studies include the Exeter Housing Authority (town), the Kennebunk Affordable Housing Committee (town), Harpswell Community Housing Trust (independent), and the Brunswick Community Housing Coalition (independent). A committee of dedicated individuals can provide leadership in public dialogue regarding affordable housing issues and concerns, and then oversee progress toward the goals. The Brunswick Community Housing Coalition organized such a process *by engaging a broad discussion throughout the community. An Advisory Committee was formed and three forums have been conducted: one . . . to*

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<sup>1</sup> <http://www.seacoastwhc.org/resources.htm>

<sup>2</sup> Hodge, J. Dec. 12, 2007. Personal communication.

<sup>3</sup> Szanton, N. Dec. 5, 2007. Personal communication.

<sup>4</sup> Humstone, E. Nov. 14, 2007. Class presentation.

*identify problems; another . . . to set goals; and a final one. . . to set the strategy. The Coalition also prepared and published in the Brunswick Times Record a comprehensive report entitled “The State of Brunswick’s Housing: 2003.”*<sup>5</sup>

Step 2: Create the tools needed to achieve the goal.

Again quoting John Hodge of Brunswick Housing Authority, the necessary approach to developing affordable housing is to *create economies of scale to spread costs over more units toward reducing per unit price.*<sup>6</sup> Unfortunately, zoning and codes in most communities often do not allow for the necessary economies of scale. Therefore, to achieve an affordable housing goal, new and/or revised planning tools are needed, along with political will and community support. Ideally, these tools should be in place before any specific project has been proposed.

The primary tool is an **Affordable Housing Ordinance** or **Inclusionary Zoning Ordinance**. Such a tool has been adopted by our case study towns of Kennebunk and Brunswick. In Brunswick, the tool is *aimed at reducing development costs, defraying development costs over a greater number of units, and providing flexibility for denser development patterns in return for guaranteed affordability of certain units for a set period of time. Greater affordability is rewarded with greater cost reductions and more development flexibility.*<sup>7</sup>

With an inclusionary zoning ordinance in place, this single, comprehensive tool addresses many of the conditions necessary to promote affordable housing. But other independent approaches can be applied to address particular conditions desired by the community.

For example, Exeter, New Hampshire, employs a **Density Bonus** that allows 15% more units for open space developments that guarantee 20% of the total number of units are set aside as affordable with 30 year deed restrictions to retain affordability.<sup>8</sup> With respect to density, John Hodge, Brunswick Housing Authority, suggests that the density applied in a given project *should be compatible with community standards.*<sup>9</sup> And according to developer Nathan Szanton, under most current zoning, the density of existing New England villages legally cannot be repeated in new construction.<sup>10</sup> Therefore, communities are asked to consider what their density standard should be to meet affordable housing goals.

Another approach to increasing affordability involves **streamlining the permit and review processes** to help reduce development costs. This can be achieved by creating clear, concise regulations, speeding approval times, and consolidating permits. Lower costs also result from **reducing lot and parking requirements** including smaller lot size, frontage or width requirements, allowable coverage, side and rear setback, height

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<sup>5</sup> Brunswick Community Housing Coalition. 2003. Action Plan for Housing in Brunswick: 2003.

<sup>6</sup> Hodge, J. Dec. 12, 2007. Personal communication.

<sup>7</sup> Town of Brunswick, ME. 2005. Affordable Housing Zoning Amendment. The complete language of this ordinance can be made available for review. For additional information, also see "*The Model Long-Term Affordability Covenant*," <<http://www.seacoastwhc.org/resources.htm>>; as well as NH Office of Energy and Planning’s Innovative Planning Techniques Handbook <[www.des.nh.gov/REPP/index.asp?go=ilupth](http://www.des.nh.gov/REPP/index.asp?go=ilupth)>.

<sup>8</sup> Hartley, D. 2007. Workforce Housing Coalition of the Greater Seacoast Presentation.

<sup>9</sup> Hodge, J. Dec.12, 2007. Personal communication.

<sup>10</sup> Szanton, N. Dec. 5, 2007. Personal communication.

of structures, unit square footage, and parking space allotment. Similarly, **street right-of-way and pavement width reductions** promote affordability by lowering road width, curb, and thickness of pavement requirements.<sup>11</sup>

Step 3: Decide whom to serve.

Maine’s Growth Management Act defines affordable housing as *a decent, safe and sanitary dwelling, apartment, or other living accommodation of a household whose income does not exceed 80% of the area median income*. Instead of a formal definition of affordable housing, New Hampshire funding programs set the affordable limits.

Generally, affordable housing in New Hampshire is seen as housing serving families earning up to 80% of area median income, while workforce housing serves households earning between 60 and 120% of area median income. In both states, households earning incomes of 50% or less of the area median income are considered very low income; those between 51 and 80% are considered lower income; and households above that threshold (up to 120%) are considered moderate-income. These categories are summarized below.

	ME	NH
affordable housing	less than or equal to 80% area median income	less than or equal to 80% area median income
workforce housing		60-120% area median income
moderate income	80-120% area median income	80-120% area median income
lower income	51-80% area median income	51-80% area median income
very low income	50% or less of area median income	50% or less of area median income

The groups found to be most at risk include those on fixed incomes, such as single parents and the elderly, and workers who can’t afford to live where they work such as hospitality and retail employees, health care workers, and entry-level firefighters and teachers. Many of these households are also first-time homebuyers with limited funds available to make a down payment on a home. Maine State Housing Authority<sup>12</sup> and New Hampshire Housing Finance Authority<sup>13</sup> can provide guidance on which income level(s) are most in need in your town.

Once a target household income group has been identified, the next step is to determine what rent or mortgage level this group can afford. Set rent (plus utilities) or mortgage (principal, interest, property taxes and insurance) at no more than 30% of the gross monthly income of the identified occupant group(s).<sup>14</sup> The goal of the project must

<sup>11</sup> Workforce Housing Coalition of the Greater Seacoast. 2006. Housing Toolbox. <<http://www.seacoastwhc.org/resources.htm>>

<sup>12</sup> <<http://www.mainehousing.org>>

<sup>13</sup> <<http://www.nhhfa.org>>

<sup>14</sup> U.S. Department of Housing and Urban Development. 2007. <<http://www.hud.gov/offices/cpd/affordablehousing/>>

be centered on not exceeding that cost to the occupant. Therefore, subsidies are generally needed to finance the gap between the total project cost and the affordable cost to the occupants.

Depending on the need identified in your community, various income configurations can be used to meet the needs of specific projects. For example, the Harriet Way project in Brunswick, Maine, created 14 single family homes for first-time homebuyers with incomes between 50 and 120% area median income and a similar arrangement was employed for single family homes at Hamilton Place in Harpswell, Maine. At Water Street in Exeter, New Hampshire, 30 rental units were created, 16 for renters at or below 60% and 14 at 100% area median income. And at the Cousens School project in Kennebunk, Maine, 28 rental units, all at 60%, were developed.

#### Step 4: Choose a smart site.

People in Maine and New Hampshire are connected to the land. Our states have model networks of land trusts and long histories of funding open space preservation. Therefore, as with any development project, we need to carefully consider the sites chosen for affordable housing. Fortunately, sites that foster protection of open space also often present the greatest opportunities for the cost savings needed to make affordable housing viable. Seek out downtown sites that offer job opportunities to provide live/work options.<sup>15</sup> Consider walkable town centers that provide alternative transportation options; mixed-use centers with opportunities for reuse of existing structures and infill of underused sites are ideal. Because unit density is needed to reduce development costs, affordable housing should be sited in designated growth areas, which have been zoned for the town's highest densities. It is also critical to identify areas with existing municipal infrastructure (sewer, water, roads, sidewalks) to eliminate costs of extending these services or minimize costs by upgrading existing services.

In a cooperative project between Avesta Housing and the Town of Kennebunk, Maine, the Cousens School reuse project is in its final stages. The location of this vacant elementary school meets these desirable siting criteria: a reuse opportunity of a historical structure within 1/4 mile of the town center in a designated growth area with existing sewer and water access. Redevelopment of this vacant elementary school site had been opened to bid by the town. Community dialogue determined that the site should provide a public good, so bids were opened for uses ranging from a community center to affordable housing. As described by Deb Keller of Avesta Housing, her organization won the bid with a proposal for elderly affordable housing. But the occupant group was quickly changed to families, based on the town's interest. Initial designs were shared with abutters and at public hearings. Input received through this public dialogue was reviewed and changes were made to meet community needs.<sup>16</sup> Judy Bernstein, Kennebunk Town Planner, describes the Cousens School planning and redevelopment process as proceeding smoothly, with great town and community support, and almost no public opposition.<sup>17</sup>

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<sup>15</sup> See Resources for Employers for more information. <<http://www.seacoastwhc.org/resources.htm>>

<sup>16</sup> Keller, D. Dec. 12, 2007. Personal communication.

<sup>17</sup> Bernstein, J. Dec. 13, 2007. Personal communication.

In downtown Exeter, New Hampshire, developer Nathan Szanton was presented with the opportunity to redevelop a parking lot that was on the site of a bank purchased by a business partner. The size of the lot far exceeded the needs of the bank and its location in the center of the historic downtown made it a prime opportunity for a higher and better use. Again, the lot met the key affordable housing criteria: an infill site at the heart of a walkable, mixed-use downtown growth area with public water and sewer.<sup>18</sup>

Step 5: If working within existing zoning or codes, find the best fit for the project.

In an ideal world, we would keep the horse before the cart in affordable housing development (or create the enabling tools before proposing a project). But should a desirable project present itself before tools are in place, towns have approaches available to facilitate the development.

Because most towns do not have existing affordable housing ordinances, John Hodge of Brunswick Housing Authority has years of experience developing affordable housing within existing regulatory frameworks. On this point, he suggests *working within the existing zoning that best meets the project's needs and proceed to seek permits with as few waivers and exemptions as possible, treating this project in the same way as any other development project.*<sup>19</sup>

Review existing ordinances such as open space, cluster subdivision, alternative subdivision, or downtown/commercial zoning for application to affordable housing goals. Minor amendments to existing ordinances may be easier to pass initially than an entirely new ordinance. The public dialogue generated by amendments may lead to future passage of an affordable housing ordinance.

For example, when the Brunswick Housing Authority made its proposal for Brunswick's Harriet Way project of 14 affordable single-family homes, the town had not implemented its affordable housing ordinance. The best fit for the project was an existing Open Space Ordinance which stipulated that if 30% of the land in the development was designated as open space, then the planning board had the authority to waive requirements such as lot size and setbacks. Discussions with the Planning Board made it clear that the Open Space Ordinance could be used to meet affordable housing goals in this way, but due to certain limitations of that tool, the project could not be built to its full potential. Thus, the Planning Board recognized the need for a tool specifically designed to meet affordable housing needs. So in the course of permitting for the Harriet Way project, the town undertook the process of drafting and approving their current Affordable Housing Ordinance. Ultimately, the new tool was available for application to the Harriet Way project.<sup>20</sup>

In another example, the Harpswell Community Housing Trust promoted an affordable housing ordinance for Harpswell, Maine, but the ordinance failed to pass at town meeting. Lacking any better tool, the Brunswick Housing Authority approached the development of the Hamilton Place single-family ownership development by employing the town's existing Alternative Subdivision Ordinance. Under this ordinance, the general zoning lot size of 80,000 square feet could be reduced to 25,000 if half of the parcel was

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<sup>18</sup> Szanton, N. Dec. 5, 2007. Personal communication.

<sup>19</sup> Hodge, J. Dec. 12, 2007. Personal communication.

<sup>20</sup> Hodge, J. Dec. 12, 2007. Personal communication.

dedicated to open space. While the goal of increasing affordable housing opportunities in town had been a theme of hearings early in this permitting process, in the hearing for final approval, the developers addressed only the issues needed for the project to meet Alternative Subdivision permit standards, as in any other development.<sup>21</sup>

#### Step 6: Facilitate access to subsidies.

While it is rare for towns to act as developers of large-scale affordable housing projects, there are strategies towns can employ to facilitate project funding for private developers. Generally, affordable housing projects cannot be developed without public or private subsidies, and so developers seek a variety of funding sources. The major sources of subsidies used our states are Community Development Block Grants<sup>22</sup> Federal Home Loan Bank of Boston,<sup>23</sup> U.S. Department of Agriculture/Rural Development, Maine State Housing Authority, or New Hampshire Housing Finance Authority.

One approach recommended by Kennebunk Planner Judy Bernstein is the town's donation of land. She cites a Kennebunk example in which the town acquired a small parcel of land due to non-payment of taxes. The size and location of the lot left it with little public value. The town then put the property out to bid to local developers for the construction of one affordable, single-family home. The donation of the land served to reduce developer costs dramatically, making it possible for the property to be sold through a lottery at well-below market value.<sup>24</sup>

Affordable housing developer Ethan Boxer-Macomber of Avesta Housing clarifies the role municipalities can play in reducing barriers to affordable housing by codifying the tools listed in Step 2 above and facilitating access to these subsidies. He explains that funding through these sources is *allocated through a competitive process based on systems of rating and ranking* and that municipal support via *leveraged funds, permit approvals, land donation and/or local policies lowering barriers to affordable housing will earn a project points and make it much more competitive. To the extent that a municipality can facilitate any of these items they can have a big impact on getting a project concept to become a reality.*<sup>25</sup>

More familiar to most towns are Community Development Block Grants. Aaron Shapiro, community developer with Cumberland County, Maine, explains that unless the project is located in a CDBG entitlement city, these grants must be sought by the town itself (not the affordable housing developer) and *can be used for land purchase and off-site infrastructure but not actual housing construction.*<sup>26</sup>

#### Step 7: Promote the use of green design.

By facilitating access to subsidies from the Maine State Housing Authority (MSHA), and New Hampshire Housing Finance Authority (NHHFA), towns are also helping to ensure that new affordable housing units will meet green design standards.

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<sup>21</sup> Ibid.

<sup>22</sup> <<http://www.NHCDFEA.org>> in NH; <<http://www.meocd.org>> in ME.

<sup>23</sup> <<http://www.fhlbboston.com/communitydevelopment/communitycenter/index.jsp>>

<sup>24</sup> Bernstein, J. Dec. 13, 2007. Personal communication.

<sup>25</sup> Boxer-Macomber, E. Dec. 14, 2007. Personal communication.

<sup>26</sup> Shapiro, A. Dec. 14, 2007. Personal communication.

MSHA was the first housing finance agency in the U.S. to adopt these standards for all new housing it finances. These standards serve to improve energy efficiency, reduce environmental impacts of development, and provide a healthy living environment for occupants. A sampling of these standards includes recycling of construction materials, maintaining native vegetation on the site, measures to ensure high air quality in units, stringent insulation requirements, use of only energy-efficient windows, appliances and lighting, and use of low emission paint, sealant and carpet.<sup>27</sup>

For an informational fact sheet summarizing these steps, see the Coastal Community Housing link at <http://www.seagrants.umaine.edu/extension/cc.htm>.

*Primary Sources:*

*John Hodge and Marty Szydlowski, Brunswick Housing Authority, Brunswick, Maine*

*Deb Keller, Avesta Housing, Portland, Maine*

*Judy Bernstein, Town of Kennebunk, Maine*

*Nathan Szanton, New England Workforce Housing, Portland, Maine*

**Links**

Coastal Enterprises Inc. <http://www.ceimaine.org/content/section/7/49/>

Center for Housing Policy <http://www.nhc.org/housing/chp-index>

Maine Housing Authority <http://www.mainehousing.org>

New Hampshire Housing Finance Authority <http://www.nhhfa.org>

Workforce Housing Coalition of the Greater Seacoast

<http://www.seacoastwhc.org/resources.htm>

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<sup>27</sup> Maine State Housing Authority. 2007. <<http://www.mainehousing.org/ABOUTGreen.aspx>>