

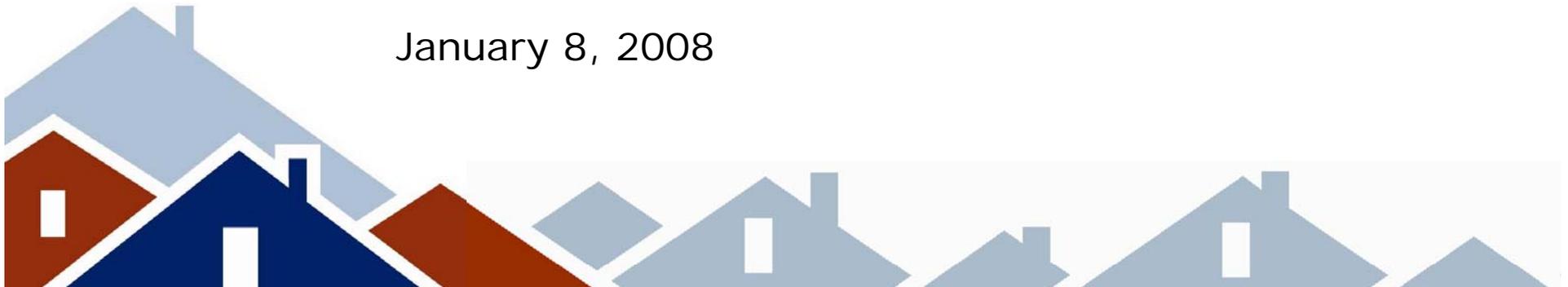
# Connecticut's Housing Situation *and* Update on the Connecticut Housing Program for Economic Growth

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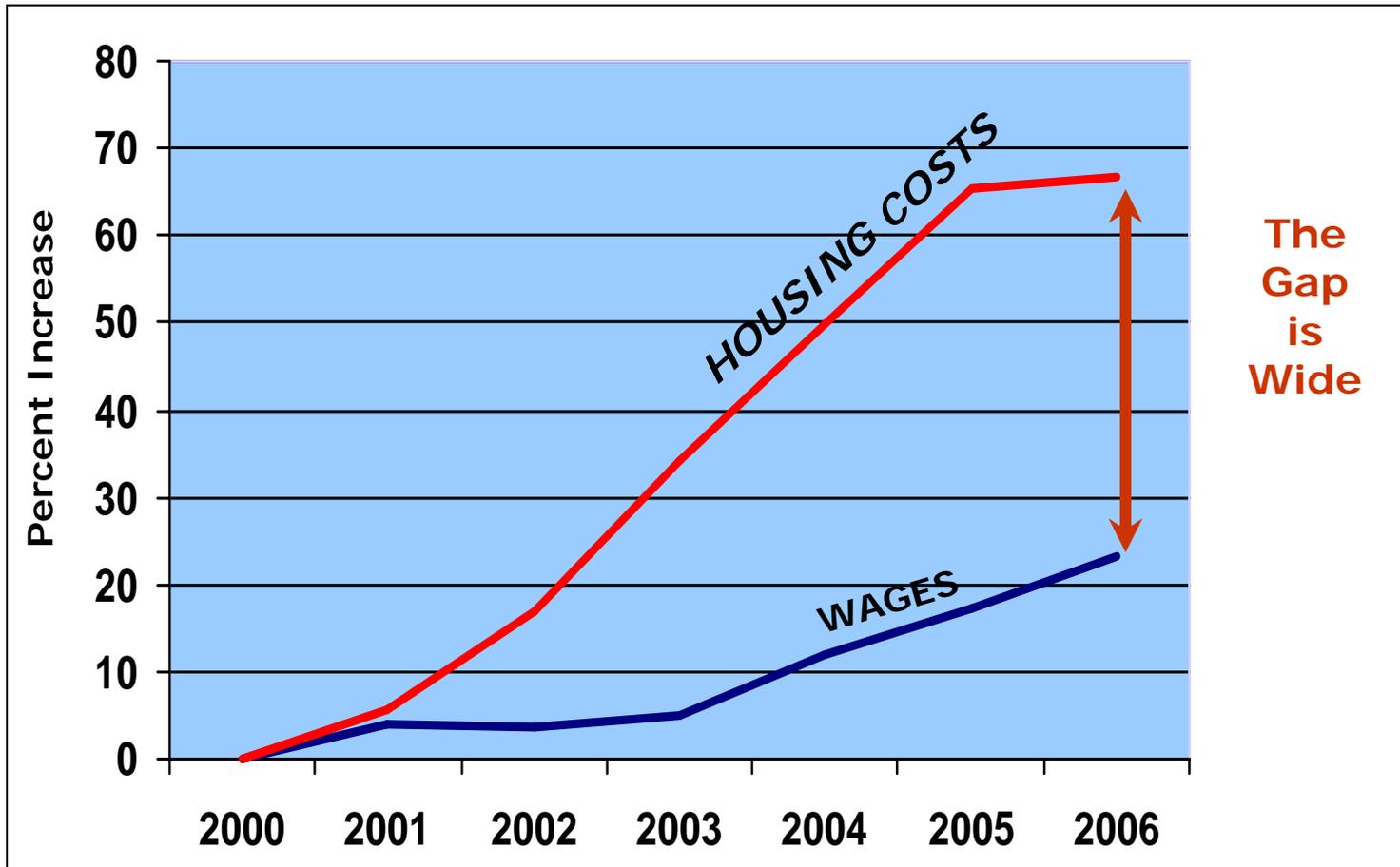
Blue Ribbon Commission on Housing and  
Economic Development

January 8, 2008



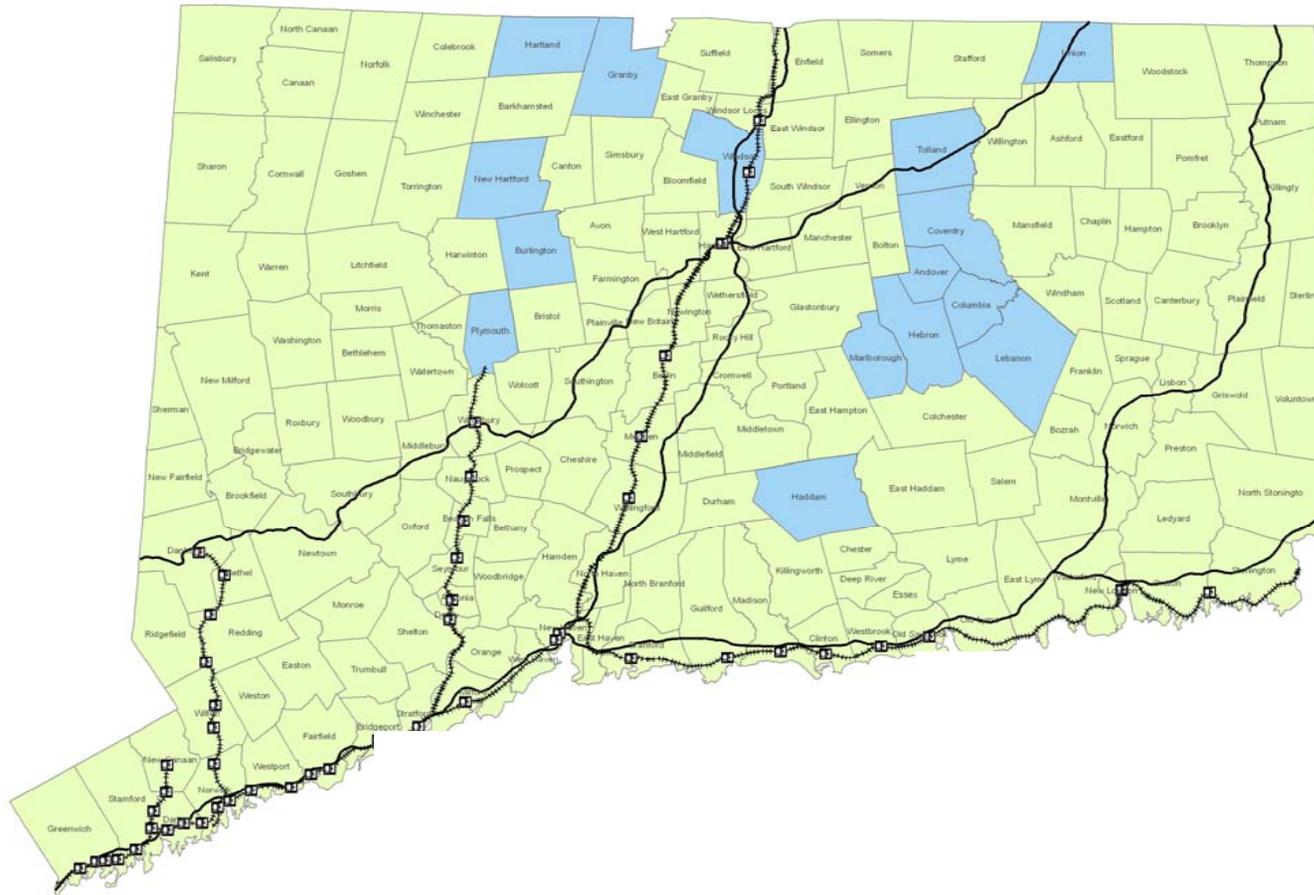
## UPDATE: Where Things Stand

**Housing prices have risen 70% in CT since 2000,** more than 2x the 33% personal income increase, and keep rising in contrast to virtually every other state (1.1% increase in CT in 2007)



# UPDATE: Unaffordable towns can no longer find workers because surrounding towns have become unaffordable.

In 2006, the median household income in **154 of CT's 169 municipalities** could not qualify for a mortgage to buy the median sales price home, up from 102 in 2004.



In 2006, a worker needed to earn **\$20.42/hour** (or about \$42,000/year) to afford a typical 2-bedroom apartment without paying more than 30% income on housing.

Median wage for workers in **321 of the 630 CT occupations** is less than this.



Three important constituencies now care about the problem more than ever:

- Business
- Municipalities
- Baby Boom parents



**Update: UNH says  
CT has lost 30.1%  
of its 25-34-year-  
olds since 1990,  
highest in the  
nation.**



Business and municipalities can't find labor, and kids can't come home to buy or rent in the towns they grew up in.



Why are we  
having this  
problem?



# Connecticut's affordable housing efforts have produced some results...

There are attractive, successful AFFORDABLE and MIXED-INCOME neighborhoods in many towns across the state, among them

*Kent*

*Bethel*

*Darien*

*West Hartford*

*Litchfield*

*Cheshire*

*Avon*

*Guilford*



This affordable and mixed-income housing has **NOT** experienced the adverse impacts the towns feared – higher crime, lower surrounding property values, or inflated school budgets.

Police chiefs, school superintendents, mayors and first selectman stand ready to testify to that.



# BUT,

Current approaches are barely making a dent in the problem.

**Households burdened by housing costs have increased.** Residents earning <80% AMI and spending >30% of their income on housing was up to 26% of households in 2006, from 19% just two years ago.

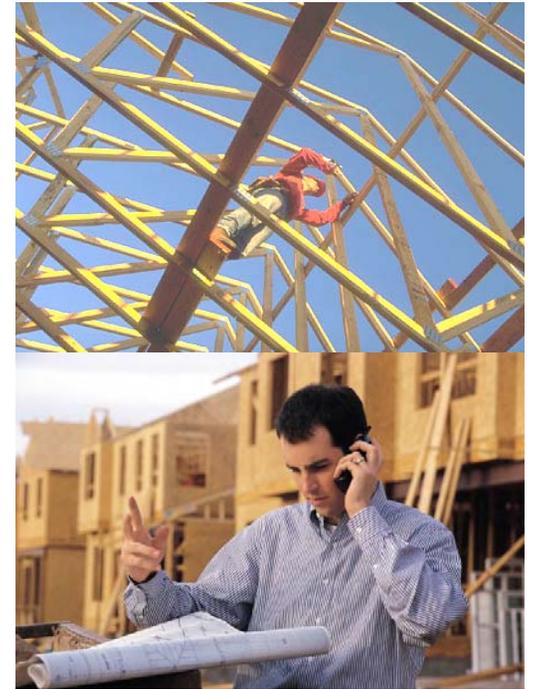


# Reason for high housing costs

*There's not enough supply:*

**CT was 49<sup>th</sup> in housing units built** per capita in '06, 46<sup>th</sup> since 2000.

**We've produced fewer than 10,000 units** annually (about 7K in '07). Prices haven't fallen because supply remains tight.



# Reasons for lack of supply

We're building mostly 4-5 bedroom McMansions and 55+ housing.



We need more starter homes and affordable rentals.



# Reasons for lack of supply:

**Towns** don't allow housing creation because they believe housing creation strains already tight budget. That is NOT NECESSARILY SO.

**Developers** can't afford to build housing that's affordable if sufficient density is prohibited – they have to be able to spread their land costs over more units.



# The Stakes Are High

## **For the State:**

OPM projects state population to rise only 8.3% through 2030, less than a third of nation's 29.2%. Under-18 population will fall, 18-64-year-olds will remain flat and 65+ will rise 70%. **The number of workers per 65+ resident will decline from 4.5 today down to 2.6.**

## **Bottom Line:**

- 1. THERE WON'T BE ENOUGH TAX REVENUE TO SUPPORT NEEDED STATE PROGRAMS.**
- 2. BUSINESSES, LACKING LABOR POOL, WILL LEAVE CT**

However, housing creation and occupation keeps/attracts jobs and workers and produces significant sales and income tax revenue.



# The Stakes Are High

## For CT's Municipalities:

1. Extreme difficulty in finding workers (Guilford, Essex, Canaan, Canton).
2. Lack of patrons supporting commercial portion of grand list (Simsbury, Bridgeport).
3. Increasing difficulty passing budgets (CCM data).



What can  
be done?



- **Spur towns to allow density**
- **Help towns cover their costs**



## Connecticut Housing Program for Economic Growth

Towns create “incentive housing zones”, and in those zones agree to 2 requirements:

1. **Higher densities** –  
6 units/acre single-family,  
10 units/acre duplexes or townhouses  
20 units per/acre multifamily  
OR lower densities for small municipalities
2. **Mixed-income housing** –  
80% market rate units  
20% units affordable at 80% of the area  
median income (AMI)



## ***In return, town gets:***

- ***Zoning adoption payments*** for every new housing unit possible within the zone (\$2K/unit).
- ***Building permit payments*** once building permits are issued (\$2K/MF unit, \$5K/SF unit).
- ***\$4M in technical assistance*** to help towns, regional planning organizations and housing developers use the program.

### Requested BUT NOT INCLUDED IN LAW:

- ***Education cost reimbursement*** for any net additional school costs incurred due to new housing in the Incentive Housing Zone.
- ***Project-based rental assistance*** to help developers target a portion of the housing to families earning 50% of AMI.



# The Plan:

1. Fully implemented, would create 5000 units per year, bringing CT's annual total to 15,000 – enough to house **20,000 new jobs/workers**.
2. Brings the state **\$2** in sales and income tax revenue for every **\$1** invested.

***Construction revenue:*** \$7k+ sales & income tax/Multi-family unit; \$12k+/Single-family unit

***Jobs revenue:*** \$4k+ /job

3. Never endangers the state fiscally: most incentives not paid out unless housing is built and sales/income taxes come in.



# The Plan:

4. Promotes responsible growth: housing in town centers, near existing infrastructure or transit, or using underutilized facilities.
5. Allows towns to control the LOCATION, APPEARANCE and AMOUNT of new housing.



# Will The Towns Act?

- Close to 20 towns or COGs are applying for TA/planning \$\$ **without any advertisement or inducement by the state.**
- More than 30 others have indicated sincere interest.

***BUT...***

- Some towns wanted school costs reimbursed.
- Others say additional alternatives would provide a (1) practical or (2) political benefit.



# Alternative Incentives

- **Practical Benefit:**

Open Space, Infrastructure, Brownfield Remediation or Other Grants to foster housing creation or dovetail with responsible growth or other public policy goal. Some towns still want school cost reimbursement.

- **Political Benefit:**

Open Space, Farmland/Historic Preservation, Brownfield, STEAP, Urban Act or other grant that allows municipal leaders to show town residents tangible, positive result from housing creation.



# Key Issues on Additional Incentives:

1. Continued funding for **existing incentives** may be enough for some, but...
2. Towns vary and their needs vary

# Blue Ribbon Commission's Charge

**What amount of housing is needed to support economic growth?**

- In the 1990s: healthy 20K annual job growth
- To replicate that, we need:
  1. Housing for 13,747 new households (1.45 wage earners/household)
  2. Replacements for 1,500 units demolished annually.

**Total:** About 15K units/year. Current annual production: about 10K. **Needed: add'l**



# BRC's Charge

**2. What regulatory/economic barriers are limiting AH production?** Exclusionary zoning, high land costs, financing difficulty, regulatory requirements.

# BRC's Charge

- 3. Which are the regions of greatest need:** virtually all are heavily impacted.
- 4. How many IHZs are required to support annual need:** Depends -- @200 units/IHZ, 25 IHZs to produce 5K/year.
- 5. Ways to encourage towns:** Menu of alternative incentives tied to IHZ creation

# BRC Charge: Further Study

- Establish Multifamily financing standards
- Expand loan guarantees
- Improve state, quasi-public housing programs
- Credit enhancements to expand reach of public financing
- Enhance preservation tax credits to promote housing renovation
- Coordinate financing to increase tax credit use