

**EAST LYME  
AFFORDABLE  
HOUSING  
PLAN**

July 1, 2009

SOUTHEASTERN CONNECTICUT HOUSING ALLIANCE

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# INTRODUCTION

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The approach we have taken to this study is to, first, measure the need for affordable housing in East Lyme and then to identify strategies to meet residents' needs *without compromising the community's character*. We have sought to satisfy multiple town goals while preserving those community characteristics that East Lyme residents value the most. Recommended strategies not only satisfy a quantified need for more diverse housing, but also contribute to the economic development goals of the town, the desire to improve village life and to preserve rural, open areas in the town. Proposed solutions adhere to “smart growth” principals of community development.

## Guiding Principals:

- **Do no harm.** Valued rural areas, open space and important habitats shall not be recommended for development. Utilize only the existing or planned utilities.
- **Focus on the needs of East Lyme residents and employees.** The purpose of this study is to address the needs of East Lyme residents, not those of New London County or the State of Connecticut.
- **Focus on redevelopment rather than new development.** Enhance and revive historic villages with architecturally compatible, infill development that adds life to East Lyme's community spaces. Maximize walkability and reduce auto-dependency for East Lyme residents
- **Development must solve more than one problem at a time.** Wherever possible, identify solutions that will address not only the goal of creating affordable housing, but other economic, social and environmental concerns simultaneously.

Students of town planning have long been taught that the best way to eliminate sprawl is to invest in our cities and villages. In practice, however, this has been hard to achieve. The rise of the automobile, market forces, current zoning and private property rights have resulted in sprawling subdivisions of big-acreage tracts in remote areas. These isolated pockets of big houses with big yards require lifestyles entirely dependent of automobiles while single use, unappealing commercial strip malls suffer from declining traffic. Not-surprisingly, East Lyme residents register concerns about the resulting congestion and parking problems, the unattractiveness of commercial development and the loss of their classic “New England” villages.

We have recommended the encouragement and practical use of “mixed uses” that once made our historic villages viable economically and socially. Smaller, in-town living would provide a much needed alternative for East Lyme seniors, young adults and single person householders with pedestrian access to work, play, shopping and services. It also provides “feet on the ground” for business owners and employers. Long term, mixed use development in our existing cities and villages will significantly reduce congestion, greenhouse gas emissions and the cost of infrastructure in the decades ahead.

## The Public Process

This Plan was developed as part of the 2009 revision of the East Lyme Plan of Conservation and Development in close cooperation with the Steering Committee appointed to oversee that effort.

Critical input and guidance was also provided by the public and fellow consultants. We worked in close collaboration with UCONN Professor, Peter Miniutti, who served as a consultant to the Steering Committee. His team informed our efforts with research under his Land of Unique Values model.

Separately and jointly with the UCONN team, 3 public information meetings were held during the winter and spring of 2009. Valuable input from the public and from town officials has been factored into our recommendations. We are grateful for the collaboration and guidance from the Steering Committee, the UCONN team and the public. It has informed our findings and enabled us to draft recommendations that reflect the community's priorities for their future.

# Chapter I: DEFINITIONS

In order for the State of Connecticut to officially designate housing as affordable and count it towards the town's 10% threshold it must be:

- Deed restricted to preserve affordable prices or rents,
- Financed by a Connecticut Housing Finance Authority (CHFA) mortgage or
- Government subsidized (as with a rental assistance program)

## What is affordable housing?

Because “affordable housing” is a legal term as well as a descriptive one, it is necessary to begin with some definitions.

- “Affordable Housing” is generally understood to be housing that comes with a monthly mortgage or rental cost that is affordable to someone earning up to 80% of Area Median Income (AMI) without spending more than 30% of that income on housing costs, including utilities and taxes.
- “Workforce Housing” is understood by policy makers to include households with income up to 120% of AMI.
- “Affordable Market-Priced Housing” (AMPH) is not deed restricted, financed with a CHFA mortgage or a rental assistance program. It is not officially counted as affordable because they can appreciate with the market and are not expected to remain affordable.

## Household Median Income and Area Median Income

Household Median Income is a specific number designated by the U.S. Department of Housing and Urban Development (HUD) – \$77,400 in the Norwich-New London area in 2008. For the purposes of gauging affordability, HUD annually identifies, by geographic region, a range of incomes for different size households. In 2008 that range for the Norwich- New London area, which includes East Lyme, is as follows:

| <u>2008 Maximum Incomes &amp; Rent for Affordable Housing – 80% of Area Median Income</u> |                       |                           |
|---|-----------------------|---------------------------|
| <i>Persons Per Unit</i>   | <i>HUD Max Income</i> | <i>HUD Max Rent/Month</i> |
| 1-person household  | \$43,050              | \$1,076                   |
| 2-person household  | \$49,200              | \$1,153                   |
| 3-person household  | \$55,350              | \$1,384                   |
| 4-person household  | \$61,500              | \$1,538                   |
| .....   |                       |                           |

***Contrary to common assumptions, these are not low-income households. They are typically fully employed or retired people. They may be young adults at the beginning of their career or retired seniors. These income limits include employees in our schools, hospitals, offices, construction sites, town halls, restaurants and hotels. According to 2000 Census data, 27.1% of East Lyme residents had incomes at or below 80% of AMI.***

# Chapter I: LEGAL CONTEXT

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## The Affordable Housing Appeals Act (CGS 8-30g)

### CGS 8-30g:

If the town has less than 10% affordable housing, it can deny such a proposal only “to protect substantial public interests in health, safety or...public interests that outweigh the need for affordable housing.” These allowable justifications for denial have generally been interpreted by the courts to mean inadequate access to sewer and water utilities, significant environmental impacts or unsafe traffic conditions.

The Affordable Housing Appeals Act, §CGS 8-30g, provides exemption from many zoning regulations for developers of affordable housing if they propose it in municipalities that have less than 10% of their total housing officially designated as affordable.

If developers include at least a 30% affordable (deed restricted) component in a residential project, they may propose it in any zone, except industrial, and at any density. Currently East Lyme, among other southeastern Connecticut towns, is subject to several court actions as a result of denying a permit to a developer of affordable housing. (Oswegatchie Hills, Niantic Village)

The statute essentially reassigns the burden of proof in the land use review process from the developer to the community. Thus, while it is not a mandate to provide 10% affordable housing, many communities understand that doing so will enable them to avoid legal liability from denying unplanned development proposals that may not be compatible with the community’s character.

In southeastern Connecticut, only 3 towns, Groton, New London and Norwich, are above the 10% threshold. East Lyme is officially at 5.0% with 373 affordable units. This total does not include the affordable units coming online at 38 Hope Street. Based on total East Lyme housing units in 2007 of 8,136, the town is approximately 400 units short of the 10% guideline. Of course as future housing development occurs and adds to the total number of housing units, the 10% guideline will require ever more affordable units be added in the town.

# Chapter II: NEEDS ASSESSMENT

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Change is occurring in East Lyme:

- East Lyme’s population has grown 22.6% since 1990 - significantly faster than the region’s or the state’s population.
- Household size is shrinking.
- East Lyme’s population is aging and is older than the state or the county.
- School enrollments are declining despite the population growth.
- Median Incomes have not kept pace with home prices.
- East Lyme homes are out of reach for much of the population
- The mix of housing should include more rental and senior housing.

## Demographic Trends

Since 1990 population growth in East Lyme has occurred faster than in Connecticut as a whole or in New London County. While population growth has slowed in recent years, that is not the perception of residents. The impressive growth since 1990 may be one reason that the 2007 Community Survey indicates concern among residents that East Lyme’s growth rate is compromising community character.

| <u>2007 Population</u>       | <u>vs. 1990</u> |
|------------------------------|-----------------|
| East Lyme                    | 22.60%          |
| New London County            | 5.70%           |
| Connecticut                  | 8.00%           |
| <i>U.S. Bureau of Census</i> |                 |

At the same time, the median age of East Lyme residents is increasing and is older than the region or the state as a whole.

| <u>Median Age</u>            | <u>2007</u> | <u>2000</u> |
|------------------------------|-------------|-------------|
| East Lyme                    | 41.0        | 39.0        |
| New London County            | 39.0        | 37.0        |
| Connecticut                  | 39.0        | 37.4        |
| <i>U.S. Bureau of Census</i> |             |             |

**An aging population alters the housing needs of the community.**

- **Older persons have different lifestyle and health needs that may be difficult to satisfy in their existing home.**
- **Senior residents who must live within their retirement savings may find it financially difficult to keep their home.**
- **As people remain in their homes longer, the existing housing stock comes onto the market less often resulting in less availability for new buyers.**

**Without housing alternatives that meet the financial and lifestyle needs of an aging population, East Lyme residents are faced with undesirable choices.**

Our aging population has contributed to a declining average household size, reflecting a national and statewide trend.

| <u>Household Size</u>        | <u>2000</u> | <u>1990</u> |
|------------------------------|-------------|-------------|
| East Lyme                    | 2.50        | 2.62        |
| New London County            | 2.48        | 2.59        |
| Connecticut                  | 2.53        | 2.59        |
| <i>U.S. Bureau of Census</i> |             |             |

As a result of the declining household size and more single person households, the demand for housing outpaces population growth. In East Lyme since 2000, the 7.3% growth in housing units has exceeded the 4.2 % population growth.

**The decline in school enrollments results from the increasing average age of the population and the general demographic trends of fewer children per family.**

**Enrollments are projected to decline in Connecticut through 2020.**

**Houses do not make children!**

### Impact on Schools

Population growth and increased housing has not resulted in higher school enrollments.

| <u>School Enrollments</u>               | <u>2000-2001</u> | <u>2008-2009</u> |
|---|------------------|------------------|
| Elementary                              | 1389             | 1029             |
| Middle                                  | 793              | 868              |
| High School                             | 1073             | 1265             |
| Total Enrollment                        | 3255             | 3162             |
| <i>Source: East Lyme Public Schools</i> |                  |                  |

### Housing Costs and Availability

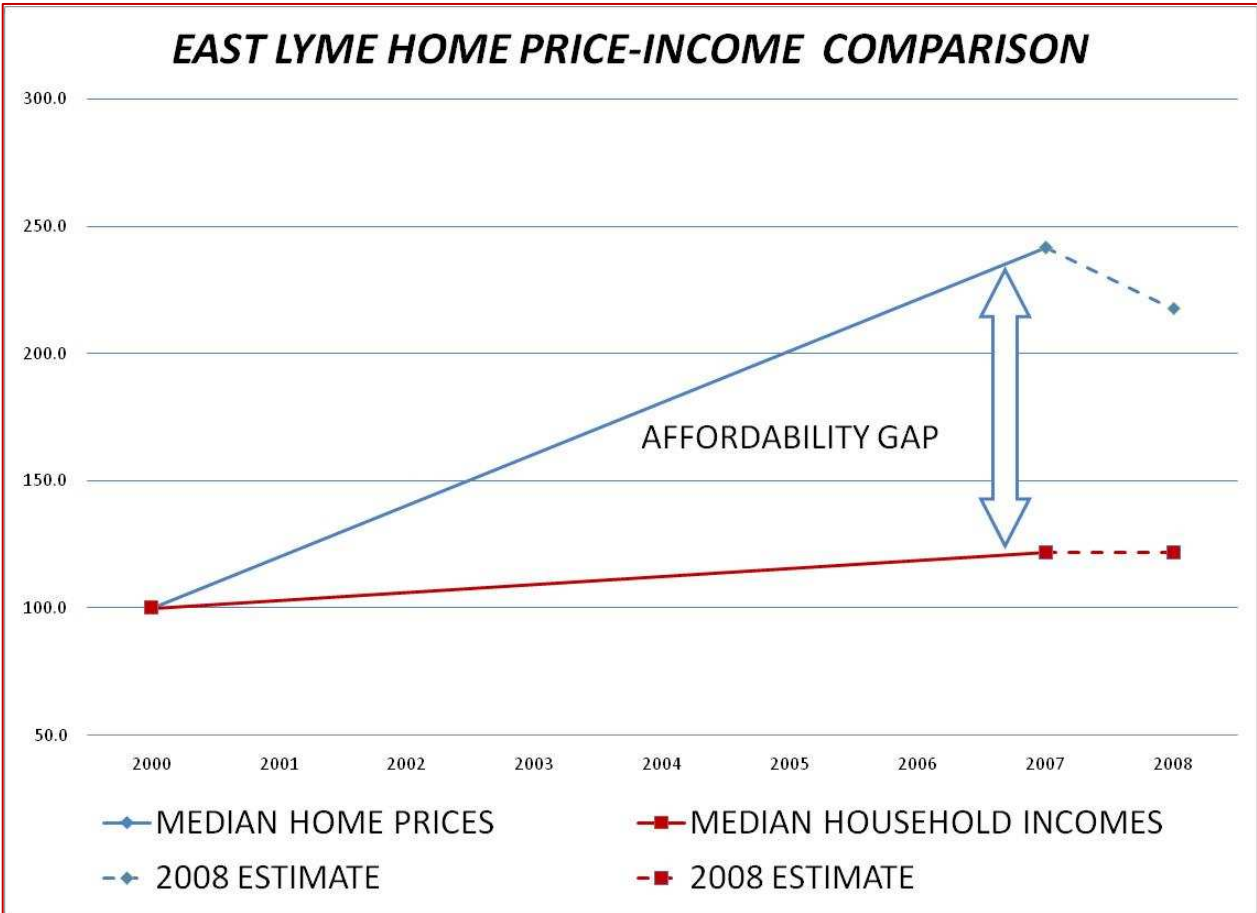
In East Lyme from 2000 to 2007, housing prices have significantly outpaced gains in income.

|   | <u>2000</u>  | <u>2008</u>  | <u>% Change</u> |
|---|--------------|--------------|-----------------|
| Median Household Income                           | \$66,539.00  | \$83,490.00  | 25.60%          |
| Median Home Sales Price                           | \$134,450.00 | \$325,000.00 | 141.70%         |
| <i>Connecticut Economic Resource Center, Inc.</i> |              |              |                 |

Since the real estate downturn began in 2007, home prices have fallen in East Lyme. Although we do not have information at the town level, the Eastern Connecticut Association of Realtors estimates that median sales prices for single family homes in all of New London County have declined 11.6% from the third quarter of 2007 to the third quarter of 2008. A decline of this proportion does not close the gap with incomes. Furthermore, during 2008 there has also been significant pressure on household incomes. Inflation has outpaced income growth so that real incomes are down. The



Connecticut Department of Labor estimates that unemployment in East Lyme has increased to 5.1% in October 2008 from 3.2% a year earlier. In the chart below estimated sales price declines are based on New London County data. Median incomes are estimated to be flat. We must conclude that the current downturn in home prices has not solved the affordability problem.



8 years ago, 18.3% of East Lyme residents were overburdened with housing costs. In 2000, U.S. Dept. of Housing and Urban Development analyzed 2000 Census data and estimated that 18.3% of East Lyme residents were spending more than 30% of their income on housing. 887 households or 14.2% had incomes below 80% of AMI and spent more than 30% of their income on housing. Although no more recent U.S. Census data is available for the town, we know that since 2000, housing prices have outstripped income growth. The Warren Group has estimated that, in Connecticut, the portion of households making less than 80% of AMI and paying more than 30% of income toward housing grew from 19% at the end of 2004 to 26% at the end of 2007.

## Affordability Analysis

According to The Warren Group, East Lyme ranks 76th among Connecticut towns in lack of affordability.

There is a significant gap between affordable home prices, as defined by HUD, and current East Lyme prices. Home prices, which households with affordable incomes can qualify to purchase, are well below East Lyme median prices. The median priced East Lyme home costs \$325,000 and would require an income of \$75,289 (assuming a 15% down payment, 5.5% fixed rate, 30-yr term).

| Household Size                                     | 1 person         | 2 people         | 3 people         | 4 people         |
|--|------------------|------------------|------------------|------------------|
| Maximum Affordable Income, per HU                  | \$43,050         | \$49,200         | \$55,350         | \$61,500         |
| <b>Corresponding Home Price</b>                    | <b>\$178,360</b> | <b>\$197,754</b> | <b>\$222,286</b> | <b>\$254,941</b> |
| Median East Lyme Home Price                        | \$325,000        | \$325,000        | \$325,000        | \$325,000        |
| <b>Affordability Gap</b>                           | <b>\$146,640</b> | <b>\$127,246</b> | <b>\$102,714</b> | <b>\$70,059</b>  |
| <i>Assumptions:</i>                                |                  |                  |                  |                  |
| <i>Down payment: 15%</i>                           |                  |                  |                  |                  |
| <i>Fixed interest rate: 5.5%</i>                   |                  |                  |                  |                  |
| <i>Mortgage term: 30 years</i>                     |                  |                  |                  |                  |
| <i>Taxes &amp; Insurance: 20% of monthly costs</i> |                  |                  |                  |                  |

Of the 224 recorded home sales in East Lyme in 2007, 95% sold for over \$200,000. 61% or 136 sales were priced above \$300,000.

### Rental vs. Ownership Housing

The mix of housing in East Lyme may not meet current needs for seniors, young adults and households without children. 84.7% of the town’s housing is single-family homes. Residents have recognized this as a concern. In the 2007 Community Survey, “One third of respondents, 34.3%, saw too few rental apartments in town while one quarter, 25.0% saw too few senior housing opportunities.” Only 11.3% of respondents felt there were too few single family homes.

## Public Perceptions of Need:

**While there is considerable confusion about what affordable housing is and who it serves, there are at least three perceived motivations among residents for increasing the amount of affordable housing in East Lyme.**

*From the 2007 Community Survey:*

### On Residential Development...

- One third of respondents, 34.3%, saw too few rental apartments in town while one quarter, 25.0%, saw too few senior housing opportunities. Some saw too few single family homes (11.3%) and condominiums (8.8%).
- On affordable housing, just under one half (48.0%) of all respondents favored allowing two-family homes in all districts if designed to look like single family homes. Over one half, favored creating affordable housing districts and allowing accessory apartments – 52.3% and 53.5% respectively. And, nearly two thirds (64.8%) favored requiring a percentage of all new housing to meet affordability criteria.

The results of the 2007 Community Survey indicate that:

1. Current residents register their **need** for more affordable housing alternatives in town. Specifically these include rental and senior housing, accessory units and two-family homes. Residents prefer that all development be well designed to be compatible with East Lyme's New England character.
2. Residents have voiced their preference for affordable housing where it would **strengthen village centers** and awareness that such residential development in Niantic and Flanders villages would provide pedestrian access to shopping, employment and town facilities. (89.5%) Commercial and retail business would benefit from proximity to a customer and employment base.
3. As a result of the Oswegatchie Hills proposal, many East Lyme residents desire **exemption from the Affordable Housing Appeals Act (GSA 8-30g)**. Residents articulated their strong desire to accommodate affordable housing to reach the 10% threshold and their preference for well planned affordable housing development that is compatible with the community's New England character.

# Chapter III: BARRIERS & OPPORTUNITIES

## Barriers to Creating Affordable Housing

Barriers to creating affordable housing can be based on unfounded fear as well as reality.

Concerns about increased traffic and parking congestion, adequate public utilities and compromising East Lyme's New England character are real and should be mitigated with good planning.

Fears of low-income housing, crime and higher education costs are just as common but are not well founded.

### Access to Utilities

Because sewer and public water utilities are predominantly available in the southern part of town (Flanders and Niantic) dense residential (or commercial) development should be planned there rather than in the north.

In planning for affordable housing development, the extension of utilities to the northern part of town is not recommended. While market forces may result in utility extensions, the Town should proactively plan for dense residential development in villages rather than where open space and agriculture are valued and where there is only automobile access to community services, to work, shopping and recreation. Our goal is not to jeopardize natural resources, agriculture or to perpetuate the community's dependence on automobile transportation.

### Traffic and Parking Constraints

A plan for the safe circulation of traffic must be incorporated into the planning process for any additional development, commercial, residential or mixed use. Planning and zoning regulations should require intersection and roadway improvements to assure safe and easy traffic flow.

Pedestrian circulation should be viewed as an alternative to increased traffic. Where housing units can be located within walking distance of village centers, zoning regulations should consider reducing the parking requirement to reflect the reduced need for residents to own and use cars. Walking and bicycle connections can significantly alleviate road congestion.

Additional housing must include adequate parking that is well designed and well located. In order to foster a village environment, parking should not be located such that it dominates the view of any development. Rather, wherever possible it should be dispersed rather than massed, shaded and blocked from view by trees and landscaping and designed to be invisible from access streets.

Residential development in Niantic Village must be sized appropriately and incorporate adequate parking so as not to exacerbate the already limited availability of parking in the village. Niantic Village may be best suited to development that relies on pedestrian circulation rather than auto-dependent development.

## Public Misconceptions vs. Reality

**“Apartments don’t pay their fair share.”** NO, landlords pay taxes and tenants’ rents are set high enough to cover those taxes.

**“Affordable housing will cause school enrollments to jump.”** NO, not all new housing brings new students. Rutgers University’s Center for Urban Policy Research did an analysis of Connecticut’s number of school age children living in various housing types.

| <u>School Age Children per 100 Housing Units by Type</u> |                          |                             |                             |                             |
|--|--------------------------|-----------------------------|-----------------------------|-----------------------------|
| Multi-Family Rental 1-BR                                 | Multi-Family Rental 2-BR | Single-Family Detached 3-BR | Single-Family Detached 4-BR | Single Family Detached 5-BR |
| 4  | 27                       | 66                          | 107                         | 166                         |
| <i>Rutgers University</i>                                |                          |                             |                             |                             |

It is the houses that we often think are cost effective for towns that are most likely to contribute children to our schools. Households that include children are most likely to prefer living in a single family home with a yard and multiple bedrooms. The reality is that small (1 and 2-bedroom) multi-family housing generates far fewer children than 3-5 bedroom single family housing that is generally thought to be more cost effective for the town. Yet average taxes on a \$300,000 home do not cover the cost of educating even one child.

The demographic changes discussed in Chapter II have de-linked housing growth and enrollment growth. Since 2000, East Lyme’s population has risen 3.8%. Housing units have grown by 7.3% and school enrollments have declined.

**“Each additional school child will cause costs to rise by the per-pupil cost or about \$12,000.”**  
**NO, school staff levels and costs have not been related to enrollments. While East Lyme school enrollments have declined, staffing and expenses have increased. School officials will testify that the drivers of school expenses have been health care insurance, energy, transportation and special education costs, not enrollments.**

|   | <u>2000-2001</u>     | <u>2008/2009</u>     | <u>% Change 2008/2000</u> |
|---|----------------------|----------------------|---------------------------|
| <b>Enrollment</b>                       | <b>3255</b>          | <b>3162</b>          | <b>-2.9%</b>              |
| Staff Levels                            | 473.78               | 546.99               | 15.5                      |
| Health Insurance                        | 2,015,500.00         | 4,217,915.00         | 109.3                     |
| Transportation                          | 915,025.44           | 1,642,710.00         | 79.5                      |
| Transportation Supplies (fuel)          | 47,287.00            | 191,808.00           | 305.6                     |
| Energy Electric, Water                  | 458,414.00           | 1,008,892.00         | 120.1                     |
| Heating Oil                             | 112,680.00           | 488,400.00           | 333.4                     |
| Special Education                       | 4,078,410.91         | 7,813,196.00         | 91.6                      |
| <b>Total Education Budget</b>           | <b>26,074,742.00</b> | <b>39,378,063.00</b> | <b>51.2</b>               |
| <i>Source: East Lyme Public Schools</i> |                      |                      |                           |

**“Affordable Housing is cheap, ugly and will bring blight and crime.”** NO, design standards can and should be imposed by East Lyme’s land use regulations. Affordable housing must, by law, be indistinguishable from market rate units in the same development. Funding sources impose high construction standards that insure green energy usage and long life.

**This is not low-income housing. It is housing for a full quarter of East Lyme’s current population.** An adequate supply of affordable housing would relieve East Lyme’s *current* residents from burdensome expenses. In so doing, it would contribute to factors that actually relieve financial pressures and improve crime rates, family stability and school and job performance. The table below illustrates that, in 2000, a quarter of East Lyme’s residents had incomes below 80% of AMI.

| <u>East Lyme Household Income (2000)</u> |                   |                |
|--|-------------------|----------------|
|  | <u>Households</u> | <u>Percent</u> |
| Below 30% of median                      | 412               | 6.5%           |
| Between 30% - 50% of median              | 487               | 7.7%           |
| Between 50% - 80% of median              | 814               | 12.9%          |
| <b>Total below 80% of median</b>         | <b>1,713</b>      | <b>27.1%</b>   |
| Total above 80% of median                | 4,607             | 72.9%          |
| Total households                         | 6,320             | 100.0%         |

As stated earlier, 14.2% of East Lyme’s residents in 2000 were in need of affordable housing (earning less than 80% of AMI and spending more than 30% on housing). Since 2000 housing prices have increased far faster than incomes have risen. We know that, statewide, this group was 26% of the population at the end of 2007.

## **Opportunities**

Before the advent of the automobile, we settled in villages where residents had pedestrian access to community facilities, work and social networks. The design and architecture of these villages is what largely constitute our image of traditional New England living. Today many East Lyme residents desire the aesthetics, convenience, cohesion of this lifestyle. Others yearn for this traditional atmosphere when they use the villages for shopping, work or socializing and have expressed the desire to recreate the best of that traditional village design. Properly designed housing can provide that opportunity.

Some of the benefits of well located and well designed affordable housing:

- Affordable housing can provide in-town living for many people, such as **young adults and retired seniors**, whose stage of life is most appropriate for smaller, less expensive and more convenient housing.
- Redevelopment with a residential component in a mixed use setting can **improve the appearance of currently auto-dominated commercial strip malls** by adding architectural interest and a village atmosphere.
- A residential component adds “feet on the ground” for retail businesses. It can enhance the viability of commercial businesses in a mixed use setting by providing ready access to both

customers and employees. **Jobs are retained and the commercial tax base is strengthened.**

- Residential development in a mixed use setting can provide residents with pedestrian access to work, shopping, services and recreation. **Road congestion is reduced. Lifestyles and the environment are healthier.**
- For all East Lyme residents well designed infill development in village districts can **recreate and enhance the historic New England character** of these areas.

# Chapter IV: Solution Strategies

Strategies for developing the affordable housing needed in East Lyme span a spectrum of policies and regulatory changes from voluntary to mandatory:

- Education and marketing of existing programs.
- Incentives for property owners and developers
- Requirements for affordable set-asides in future developments

## Marketing to Improve Access to Existing Programs

### **Connecticut Housing Finance Authority Homebuyer Programs**

Greater efforts to inform East Lyme residents and prospective buyers of the loan programs offered by the Connecticut Housing Finance Authority (CHFA) constitute the easiest way to make East Lyme housing realistic for more people. CHFA offers programs that include low interest loans and Downpayment Assistance. Income limits are generous: \$83,000 for a household of 1 or 2 persons and \$93,151 for 3 or more persons. The maximum sales price home for which these programs can be used is currently \$331,700. Every home financed with a CHFA mortgage counts toward the town's 10% guideline.

CHFA staff would be happy to present periodic seminars for residents. These programs could be offered in conjunction with other communities at different locations in the region so as to generate attendance and maximize access.

## Incentives for Property Owners and Developers

### **Preserving Affordably Priced Housing with Deed Restrictions.**

Strategies could be developed to preserve the naturally occurring affordable housing in East Lyme with deed restrictions. These might include acquisition and resale of tax delinquent or foreclosed properties as deed restricted affordable units. The town could partner with a non-profit agency or a for-profit developer to identify, acquire, rehab and manage the sale of these properties. Based on past experience, these properties are likely to be small, possibly non-conforming lots which might be ideal for the redevelopment of one or more units of housing.

### **Financial Incentives to Deed Restrict Property**

The town could offer an incentive to induce property owners to deed restrict their property. Some towns are considering tax abatements as an incentive but this is difficult when municipal budgets are under such pressure.

Grant funding could be assembled to offer below market rate financing for updating, improvements or renovation. Access to this low interest financing could require that the property be deed restricted for a period of time.



Currently, such financing is offered in Connecticut by several regional and statewide loan funds but southeastern Connecticut does not currently have a fund specifically dedicated to the region. Such a regional fund could be capitalized and made available to owners of 1 to 4 family homes for rehabilitation or construction of a deed restricted affordable housing unit, including an accessory apartment. The Small Cities Fund that is managed by the Connecticut Department of Economic and Community Development is an eligible source of this funding and has been used to capitalize rehab funds in other municipalities. The program, however, is known to involve extremely cumbersome compliance requirements, causing many municipalities to shy away from this source of capital.

The Dime Bank’s CHAMP program is designed for similar uses and eligibilities. It offers below market interest rate financing of multi-family housing and requires a period of affordability. It is, however, restricted to multifamily property owners who have had at least 5 years experience managing rental property. The program is well used and proves the demand for rehab funds. This is an ideal strategy to be adopted regionally in order to maximize the cost effectiveness of administering the program. In lieu of property management experience, landlord training could be made a requirement of the financing.

**Accessory Units.**

As accessory units provide naturally affordable housing, these regulations could be reviewed and made more flexible to assure they accomplish the town’s goals. **They could be allowed in more zones, the parameters relaxed where appropriate and the permitting could be streamlined.**

**Regulatory changes**

In order to facilitate the creation of more affordable housing, East Lyme residents support regulatory changes. Some changes provide additional options for property owners by creating designated zones in specified areas while others require an affordable component as a condition of zoning approval.

From the 2007 Community Survey:

| Statements   | Strongly and Somewhat Favor | Strongly and Somewhat Favor (without DK's) |
|--|-----------------------------|--|
| Require a percentage of all new housing to meet affordability criteria               | 64.8                        | 70.2                                       |
| Allow accessory apartments in single-family homes                                    | 53.5                        | 59.6                                       |
| Create designated affordable housing districts in selected areas                     | 52.3                        | 56.6                                       |
| Allow two-family homes in all districts if designed to look like single-family homes | 48.0                        | 52.6                                       |

Source: East Lyme 2007 Community Survey

## Incentive Housing Zones

In 2007, the Connecticut General Assembly passed the *Housing for Economic Growth Program* (Public Act 07-4) to incentivize towns to plan proactively for affordable housing. (It is this program that provided the study grant to develop this plan.) It is a voluntary program in which a town can determine the location, size, composition and design of the housing. The program is modeled closely after one that has worked in Massachusetts.

### Incentive Housing Zones

#### Offer towns:

- Voluntary participation
- Local control
- Exemption from 8-30g within the zone
- Cash incentive payments

#### Offer property owners:

- Another development option
- More favorable requirements than 8-30g

The legislation authorizes the creation of a new land use tool, Incentive Housing Zones (IHZ).

- As overlay zones for affordable housing, they only provide an additional option for the property and do not replace the underlying zoning.
- They can be mixed use as well as residential.
- Must be located in villages, commercial or growth areas with access to public transportation and utilities.
- IHZ's must meet minimum density requirements: 6 single family units per acre of developable land, 10 townhouse units/acre or 20 multifamily units /acre.
- Towns must provide a manageable as-of-right permitting process.
- Importantly, a developer using this zoning regulation is not entitled to rights under 8-30g and the affordability requirements are more flexible than 8-30g: at least 20% of the units must be affordable vs. 30% under 8-30g, and all of the units can be priced for the highest level of affordability or 80% of AMI. 8-30g requires that half the

affordable units go to households earning only 60% of AMI

- Under this program, the State will pay towns to create and use the zones. The State would pay East Lyme \$2,000 per housing unit allowable when you create the zone and another \$2,000 per unit when you permit a development within the zone, \$4,000 if the unit is a single family home. The per-unit calculations are based on total housing units, not just the affordable 20%. This program was funded with \$4 million dollars in 2007 and approximately \$2.5 million remain. At this date, 45 towns have received planning grants to consider these zones and two towns, Wallingford and Old Saybrook have drafted and approved IHZ regulations.
- This program was intended to encourage smart growth rather than less environmentally responsible sprawl. It stipulates that the zone must have access to public transportation and utilities and be located in a village or commercial center or a designated growth area.

## Recommended Locations for Incentive Housing Zones

In East Lyme there is unused town-owned land and under-used privately owned property along RT 161 and I-95 that meet these eligibilities. These are areas where incorporation of a residential component would meet multiple town goals. An Incentive Housing Zone would encourage the redevelopment of aging, auto-dependent commercial strips into more attractive mixed-use walkable

village environments with ample pedestrian access to community facilities, shopping, recreation, public transportation and employment. This could be accomplished in both Flanders 4 Corners area and in Niantic Village with mixed use development.

**Specifically, we recommend that Incentive Housing Zones be considered and pursued in the following locations:**

- 1. The undeveloped portion of the town-owned parcel which is bounded by Society Road, Industrial Park Road and I-95, on which the Community Center is located, should be studied further for rezoning as an Incentive Housing Zone. This IHZ should include trail construction and design standards that insure compatibility with East Lyme's New England character. It could specify a preference for housing East Lyme Town employees and people who currently live or work in East Lyme. Further study would include soil testing, surveys and concept design and can be funded from a current grant.**
- 2. In Flanders, the mixed use Gateway Development is proposed to include retail, offices and residential spaces. Establishment of an Incentive Housing Zone would encourage the developer to include an affordable component in the residential portion. (As discussed below, adoption of Inclusionary Zoning regulations would *require* an affordable component.)**
- 3. Further, specific commercial parcels should be identified in Flanders and Niantic villages where redevelopment with an affordable housing component would contribute to a village environment. Approval of an Incentive Housing Zone in these areas would encourage the desired development. Midway Plaza and the adjacent auto repair business?**
- 4. The "Campground" on RT 156 and the Rocky Neck Connector, is an area that should be considered for mixed use redevelopment, including affordable housing.**

## Mandatory Strategies

### **Deed Restricted Accessory Units**

East Lyme could require that accessory units be deed restricted for affordable housing as a condition of receiving a permit. Most occupants of these units would meet the affordability requirements. The advantage of this strategy is that the housing is achieved without significant increases in density but is incorporated into already existing structures. **We recommend that East Lyme adopt this requirement for approval of an Accessory Unit permit.**

Trumbull Connecticut enacted such a requirement 6 years ago (Dec, 2001) and has gained 241 units of affordable housing since then as a result. Permits are for 5 years at a time and renewals must document the income qualification of the occupant. The deed restriction is for 30 years but can be set by the town. Stonington, Ledyard and North Stonington are considering this strategy.

## **Inclusionary Zoning**

Interest is growing in Connecticut in a type of zoning regulations that *requires* that developers of housing participate in satisfying the need for affordable housing. “Inclusionary Zoning” requires that developers include an affordable component in any residential development.

Officials and residents across the region see the value of such a policy and several southeastern Connecticut towns are considering similar requirements. Advisory Committees in North Stonington and Stonington have recommended that their Planning and Zoning Commissions adopt some form of inclusionary zoning.

There are two motivations driving this interest: First, to create more of the housing we need at the expense of those providing the housing that is purely market driven. Secondly, to get credit for affordability so that towns reach *and maintain* the 10% state threshold and exemption from the CGS 8-30g development. Even if a town reaches the 10% target, the next new subdivision immediately raises the total number of housing units, the denominator, and returns the town to vulnerability. As more housing is built, the threshold of 10% becomes a moving target, impossible to satisfy unless 10% of the *new* construction is affordable. Across the country, inclusionary zoning is often used to insure an adequate supply of workforce housing.

Developers are typically allowed to provide the required number of affordable units off-site or to “buy out” of the requirement by contributing to an affordable housing fund. Inclusionary Zoning regulations vary to suit the jurisdiction:

- Stamford requires every developer of 10 or more housing units to designate 10% of them as affordable.
- Norwalk recently approved a regulation that requires developers of at least 20 housing units in multi-family or mixed use zones make 10% of the units affordable. Priority for occupancy is specified for City employees including school employees, current City residents and those who work in the City. Density bonuses of 10% or 20% are allowed depending on the location and level of affordability.
- Some towns have imposed the affordable housing requirements only in certain areas that are conducive to village density.

## Development Strategies

In its most proactive role, the Town could partner with a developer, probably a non-profit, to develop affordable housing on Town-owned land. If privately owned land is identified as an ideal location, the development costs would be higher. But again, a partnership between the landowner, developer and the Town could be forged to create housing. In both cases, zoning would have to accommodate appropriate densities. An Incentive Housing Zone is the ideal tool for the Town to proactively regulate density, size and design for such a development.