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ADVISORY SERVICES

Understanding Housing Markets and Affordable Housing:
Economics and Financial Feasibility
June 20, 2022

East Lyme: Understanding Affordable Housing

Presentation Overview

The aim of this presentation is to explore and explain housing markets, affordable housing, and the financial feasibility of affordable housing. This will include:

- Affordable Housing Overview
- The Spatial Organization of Housing Markets and Property Value in the Metropolitan Region
- Defining Affordable Housing
- Overview of CGS 8-30g Affordable Housing Land Use Appeals Act ('Qualified Affordable Housing Units' as defined by Section 8-30g of the CT General Statutes).
- Fair Share Housing Proposal
- Analysis of Income and Housing Costs based on Area Median Income (Income at and below 80% AMI for Renter and Owner-Occupied Housing).
- Affordable Housing Need (Income and Housing Cost).
- Demographics of Housing (Changes in Demographic Structure and the Impact on Housing and Affordability).
- Case Study: The Impact of Affordable Housing Units on the Financial Feasibility of 8-30g Developments.
- Policy Consideration for Affordable Housing Financial Feasibility



Dr. Poland is an urban geographer, planner, and community strategist whose work focuses on assisting communities to compete for wealth and investment (socio-economic prosperity) through strategic interventions that build community confidence, foster pride in place, create predictability in market, and grow demand.

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Affordable Housing Overview

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East Lyme, Why Affordable Housing Now?

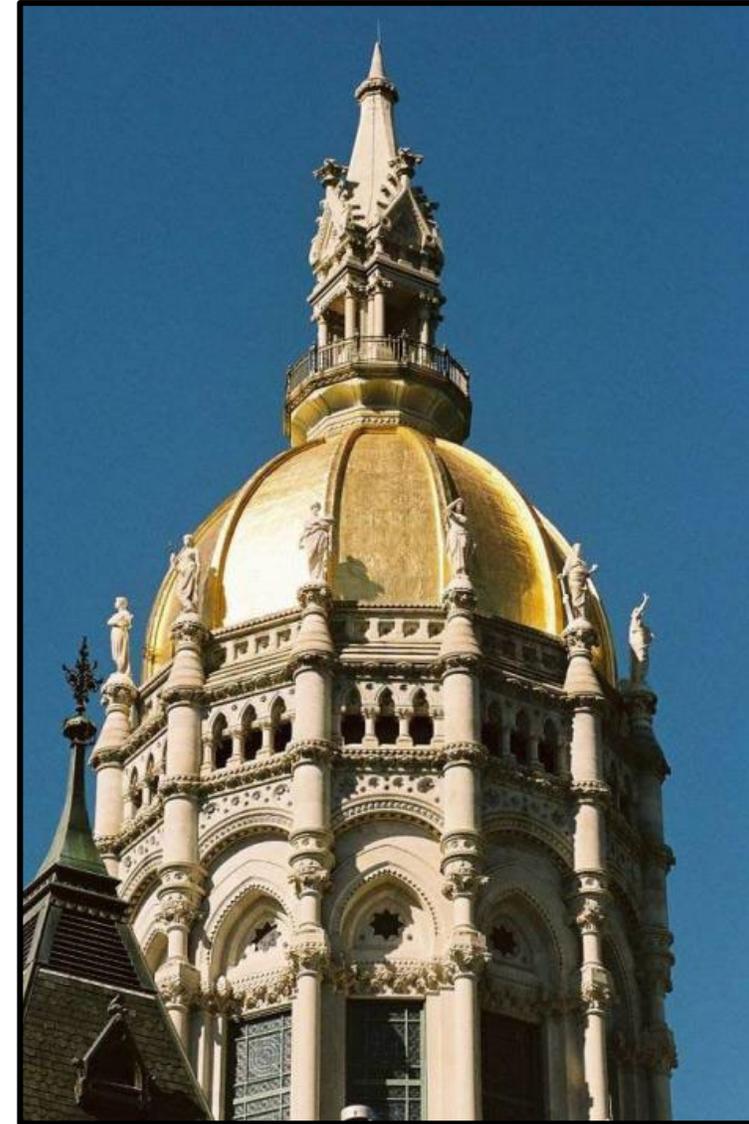
Governor Lamont and the State Legislature have made affordable housing a priority.

Public Act 17-170 (CGS Sec. 8-30j) requires:

“At least once every five years, each municipality shall prepare...an affordable housing plan for the municipality. Such plan shall specify how the municipality intends to increase the number of affordable housing developments in the municipality.”

The need to plan and provide for affordable housing is not new. Section 8-23 of the Connecticut General Statutes already requires that the municipal Plan of Conservation and Development:

- make provisions for the development of housing opportunities, including opportunities for multifamily dwellings...for all residents of the municipality and the planning region... [and to]
- promote housing choice and economic diversity in housing, including housing for both low- and moderate-income households...



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Why Affordable Housing?

- Quality affordable housing provides social and economic stability for households, families, and communities.
- *Homes are where jobs go at night.* Affordable housing supports the workforce, jobs, and economic development.
- Quality affordable housing is key to social and economic prosperity.
- Diversity—social, economic, and cultural—is the corner stone of resilience. Resilient communities can withstand shock, disturbance, and change.
- Past generations benefited from affordable housing and the associated wealth creation. Present and future generations deserve the same opportunity.
- When the market does not meet the basic needs of society, government has a role to assist those in need.



The system of land use and planning have traditionally privileged environmental sustainability over social and economic sustainability. The key, especially in the context of planning for affordable housing, is to strike a balance between the three.

“development that meets the needs of the present without compromising the ability of future generations to meet their own needs. *Doing so must integrate and balance economic, environmental, and social goals.*”

United Nations 1987 Brundtland Report

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Why Housing Matters

There is a symbiotic relationship between economic development and housing—*housing is where jobs go at night*.

- If East Lyme does not have a housing stock to meet the needs (and wants) of the workforce, it will be difficult to retain and attract jobs.
- For East Lyme to remain competitive it must provide a housing stock that meet the needs (and wants) of consumers—today's renters and homebuyers.
 - Many renters are tomorrow's homebuyers.
- Housing, including affordable housing, is critical for fostering economic prosperity, generational wealth, and upward mobility.



Source: multifamilyexecutive.com

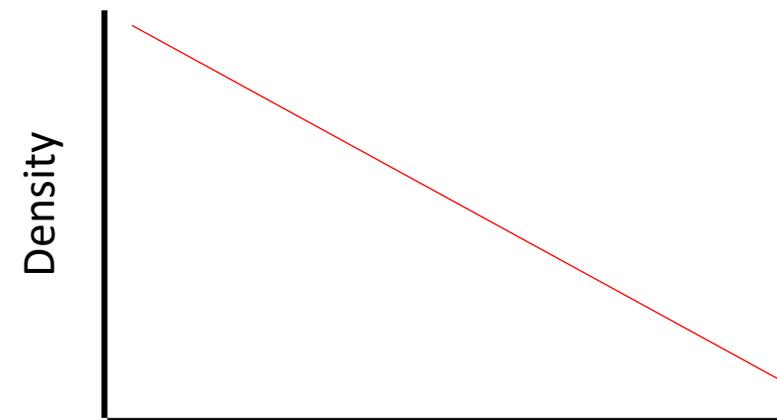


Urban Economics: The Spatial Organization of Housing Markets and Property Value in Metropolitan Regions

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Spatial & Economic Organization of Urban Space

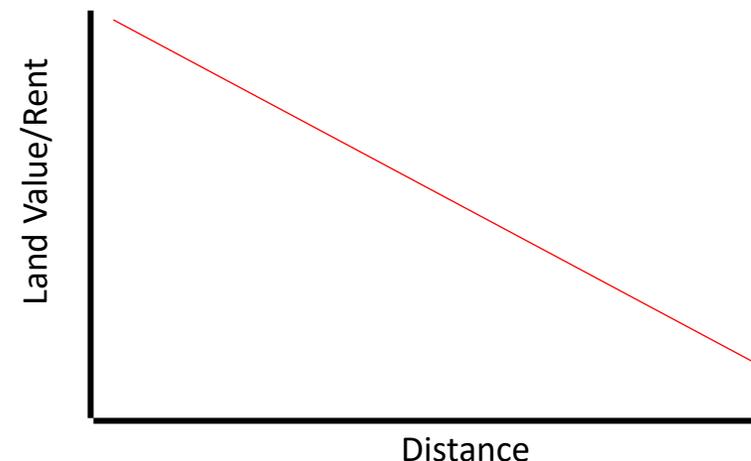
- **Density:** highest at the center (urban core) and lowest at periphery (rural fringe). East Lyme is a *(sub)urban core* community.
- **Income:** as income increases, land consumption and floor area consumption increase.
 - Wealthy households typically consume more land and more floor area than households of lesser financial means.
 - **East Lyme:** 77.9% single-family detached, 72.8% owner-occupied, and 66% of all housing units have 3-bedrooms or more.
- **Exceptions:**
 - **Amenity Value:** certain locations can and do impact density and income patterns.
 - Access to Transportation
 - Sense of Place
 - Quality of Life



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Spatial & Economic Organization of Urban Space

- **Land Value (Rent):** land/rent is highest near the center (urban core) and lowest near the periphery (rural fringe) of the metropolitan region.
- A household at a given income can access a larger home (floor area) on more land (larger lot) further from the center.
 - Housing cost adjusts for location (and accessibility).
 - **Accessibility:** Time/distance to employment opportunities (location within the labor market).
- Based on the above spatial organization of housing markets at the metropolitan scale, comparable properties will increase in value with proximity to the core.



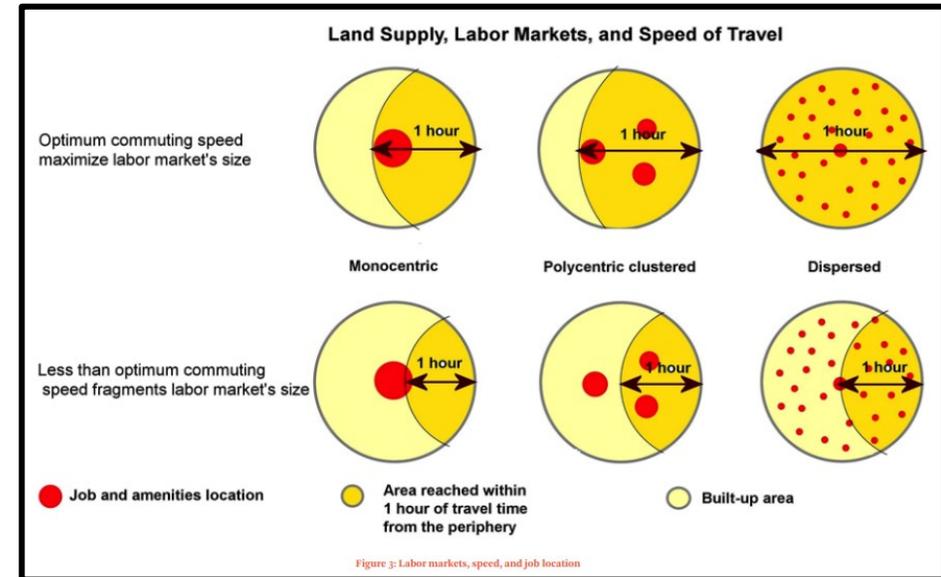
Comparable Home Value by Location

Stafford Springs (30-Minutes)	= \$136/sq. sf.
South Windsor (15-Minute)	= \$175/sq. sf.
West Hartford (10-Minutes)	= \$195/sq. sf.

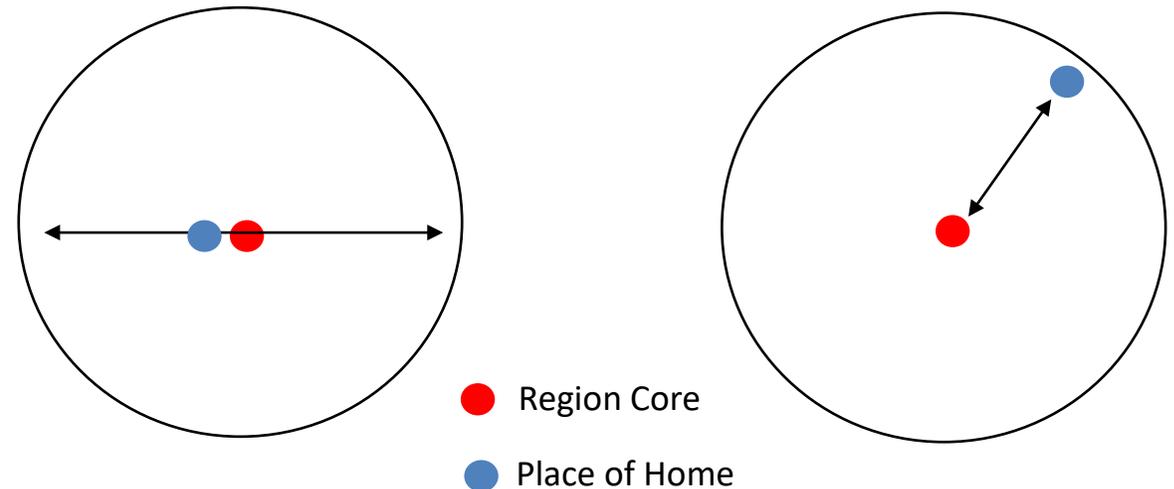
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Spatial & Economic Organization of Urban Space (Labor Markets)

- **Metropolitan Regions:** are labor markets. Persons and firms locate in metros for employment opportunities.
- The location of housing and transportation networks determine accessibility to employment opportunities.
- The more centrally located the place of home, the more *accessible* to employment opportunities across the region.
- The more accessible the location of housing is to employment opportunities, the higher the value of housing.



Source: Alain Bertaud, 'Order without Design' (2018) - See [HTTP://alain-bertaud.com](http://alain-bertaud.com)



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Housing as a Commodity

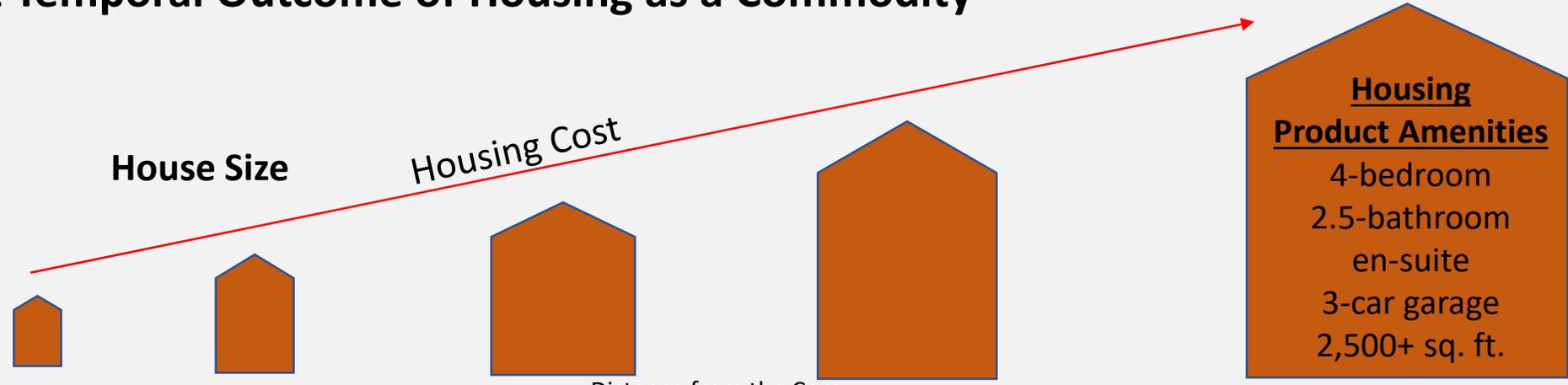
- Housing is **fixed in location**. The utility and value of housing are tied to neighborhood conditions (image), and subject to change—a desirable location yesterday may not be as desirable today.
- Housing is **durable**, long lasting and expensive—requiring continuous investment to maintain value—and susceptible to changes in investment behaviors and consumer preferences. Unlike other commodities, housing remain on the landscape for long periods.
- Housing is **temporal**, constructed at specific moments in time and space (location) to meet the consumer/market demands of that moment. Once constructed, a house is competing with newer product.
- Innovation (new methods, materials, and techniques) and **creative destruction** destroy that which came before. Houses and neighborhoods are continually being creatively destroyed.
- *The four (above) commodity characteristics of housing coalesce to create the threat of **functional obsolescence**—the moment a property is constructed, it is at risk of becoming obsolete due to everchanging consumer preferences.*



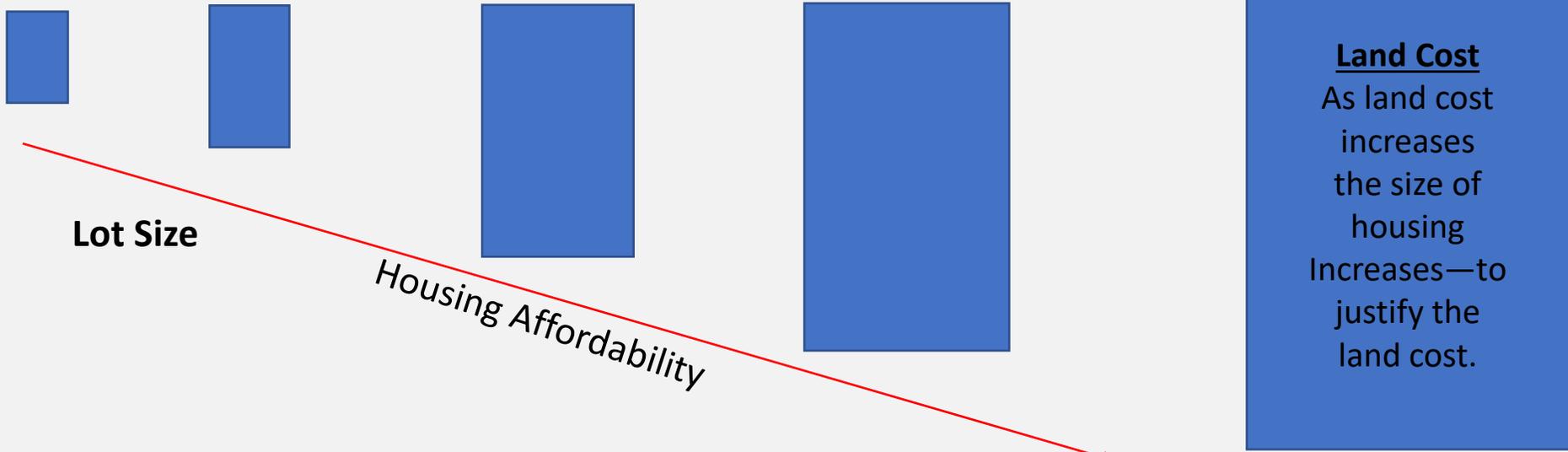
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Spatial & Temporal Outcome of Housing as a Commodity

Housing Product Amenities
2-bedroom
1-bathroom
1-car garage
1,000 sq. ft.
Space



Time



Price

\$ \$\$ \$\$\$ \$\$\$\$ \$\$\$\$\$



Defining Affordable Housing

Defining Affordable Housing

- The maximum amount a household can spend (percent of income) on housing (buy/rent/taxes/utilities/insurance).
 - No more than 30% of household income.
- Median price of a two-bedroom apartment compared to household income.
 - Provides general context but tells us little else about actual affordability.
 - Not all renter households need (or want) a two-bedroom apartment.
 - Connecticut: **40.5%** of renter households are 1-person households.

CHFA defines affordability based on a percent of area *median family-income* and the number of persons in the family/household. For example:

- Norwich-New London MSA median family income is \$102,700.
 - Moderate income at 80% of median family income is \$82,160.

Other programs, including 8-30g, use the state or MSA *median household income*—80% moderate, 60% low, and 30% very low income.

- Norwich-New London Area Median Household Income = \$88,600
- Connecticut Median Household Income = \$79,855
- East Lyme Median Household Income = \$96,023
- East Lyme Median Family Income = \$125,000

Defining Affordable Housing

CGS, 126a *Affordable Housing Land Use Appeals*, **Sec. 8-30a** narrowly defines affordable housing as:

Assisted Housing: housing which receives financial assistance under any governmental program for low and moderate-income housing (including rental assistance).

Set-Aside Development: not less than 30% of the units, deed restricted for at least 40 years. Sold or rented at, or below, prices for which household pay 30% or less of their income, equal to 80% of the median income. Half of the affordable units (15% of total) sold or rented to households whose income equal to 60% or less of median income;

The 8-30g definition is *narrow*:

- Only considers housing units/households receiving government assistance—specified programs or deed restrictions.
- Does not include *market-rate housing* that sell or rent at values affordable to low- and moderate-income households.
- Does not measure supply, demand, or need for affordable housing.

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Calculating Housing Affordability

Two basic methods for calculating housing affordability (to compare housing costs to household income).

Purchase Value: what a household can afford to purchase—the maximum purchase price.

- 2.6 to 3.0 times gross household income (2.6 leaves room for utilities and 3.0 is the maximum affordability limit without utilities).
 - A household earning \$75,000 can afford to purchase a house valued between \$195,000 (2.6 x income) and \$225,000 (3.0 x income).

Percent Income: what a household can afford to spend on housing, 30% of household income. Housing is unaffordable if a household spends more than 30% of their income on housing.

- If a household earning \$75,000 is spending more than \$22,500 (30%) per year or \$1,875 (30%) per month, then such housing is deemed unaffordable.

East Lyme: Median Household Income = \$96,023 x (2.6 to 3.0) = \$249,659 to \$288,069.

Median home value = \$317,100. Dived by (2.6 to 3.0) = \$121,961 to \$105,700.

Note: The above numbers and calculations are approximations for general planning purposes.

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Determining Affordable Housing Need

There are limits to the above definitions and measures and how they inform us about housing affordability and housing need.

Housing affordability is a problem of:

- **Income:** the household earns too little income to afford housing.
- **Housing Cost:** housing is too expensive for households of certain income to afford housing.

This difference is nuanced—the flip sides of the same affordability coin. The (*simple*) solutions:

- raise income (increase wages)
- lower the cost of housing (reduce housing cost constraints)

Limited financial means (low income) and high housing cost (construction cost) create the need for affordable housing. That said:

- Just because a household is spending more than 30% of income on housing does not mean the household is suffering from housing affordability—low income or high housing cost.
- For households of lesser means, spending more than 30% for housing is not a choice, it is a harsh reality and financial burden.
- For households of greater means, spending more than 30% for housing may be a choice (i.e. status, lifestyle, location, and access to opportunity or education).
- Income, as measured by the Census, is a measure of earned income, not household wealth. A household can be wealthy and still be considered low income.



Overview:
8-30g Affordable Housing Land Use Appeals Act

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8-30g Affordable Housing

Since 1989, Section 8-30g (CGS) (Connecticut Affordable Housing Land Use Appeals Procedure), has promoted the development of housing with long-term (40-years) affordability protections.

8-30g includes an appeals procedure to override local zoning denials of affordable housing proposals without just cause, ensuring that municipalities cannot deny an affordable housing proposal unless there is a meaningful health or safety concern.

If at least 10% of a community's housing stock is "affordable," said community is exempt from 8-30g.

Qualified Affordable Housing is defined to include:

1. assisted housing
2. housing currently financed by Connecticut Housing Finance Authority mortgages (and similar)
3. housing subject to deeds and conditions restricting its sale or rental to low- and moderate-income people, or
4. mobile homes or accessory apartments subject to similar deed restrictions.

Assisted Housing: Housing that receives government assistance to construct or rehabilitate low- and moderate-income housing, or housing occupied by individuals receiving rental assistance.

Set-aside Development: A development in which, for at least 40 years after initial occupancy, at least 30% of the units are deed restricted.

- 15% of the units to be deed restricted to households earning 60% or less of AMI or state median income (SMI), whichever is less.
- 15% of the units to be deed restricted to households earning 80% or less of the AMI or SMI, whichever is less.

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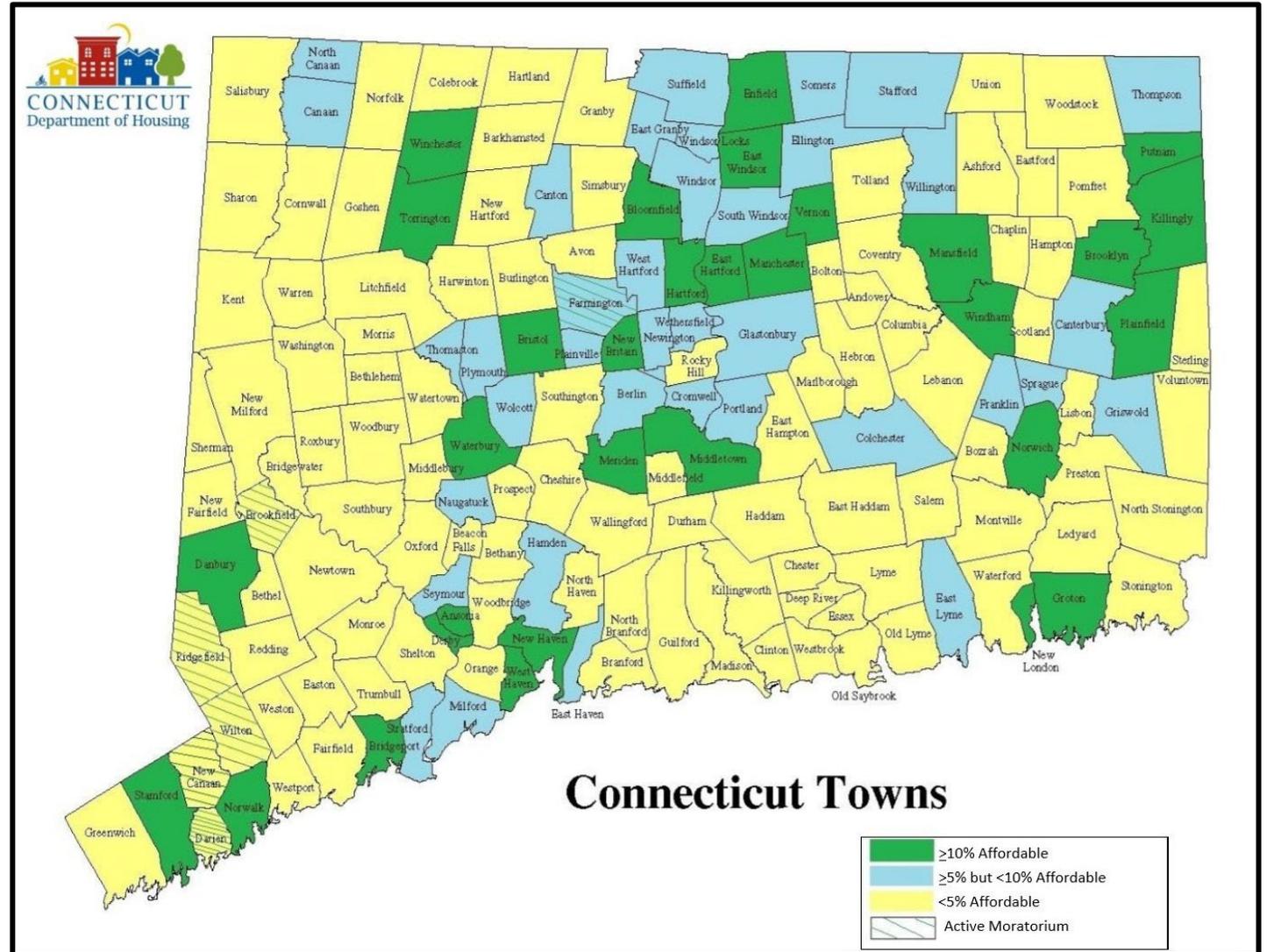
8-30g Qualified Affordable Housing by Municipality

Spatial distribution demonstrates:

- Green: 10% or more qualified affordable housing – mostly older core cities.
- Blue: 5% to 10% qualified affordable housing – mostly older core suburbs.
- Yellow: 5% or less qualified affordable housing – mostly lower density periphery small towns.

East Lyme: Qualified Affordable Housing

2010 Housing Units	Gov. Assisted	Tenant Rental Assistance	CHFA Mortgages	Deed Restricted	Total Assisted	Percent Affordable
8,456	396	19	86	19	520	6.15%
8,610	(2020 estimated housing units = 26,721)					6.04%



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Constraints to Multi-Family Housing

This map shows multi-family housing land use permitting requirements by municipality.

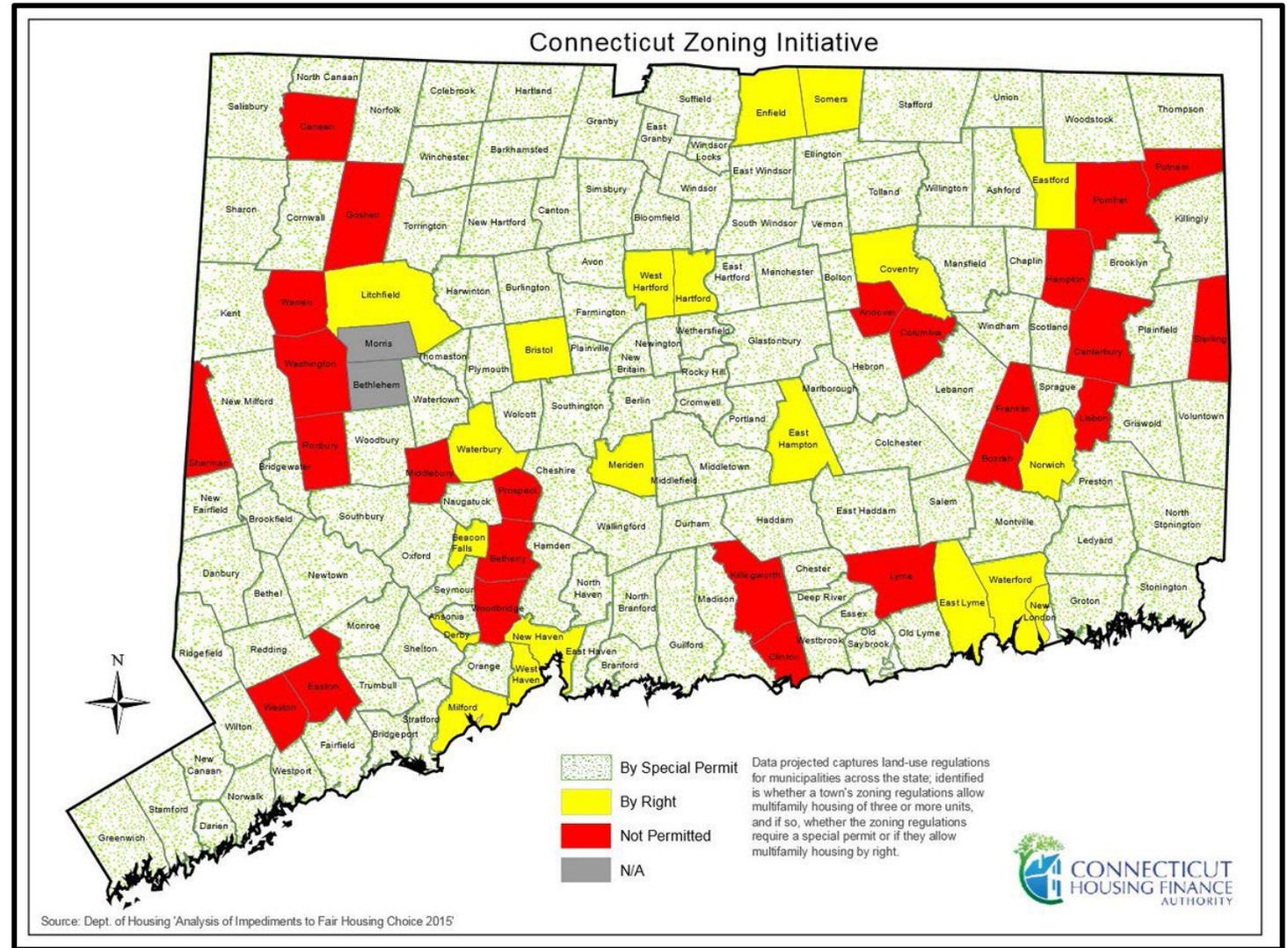
Yellow = as-of-right (site plan)

Grey = conditional use (special permit)

Red = prohibited.

Demonstrates overreliance on conditional use permits.

We also need to recognize that many communities with prohibitions are not served by public water and/or sewer.



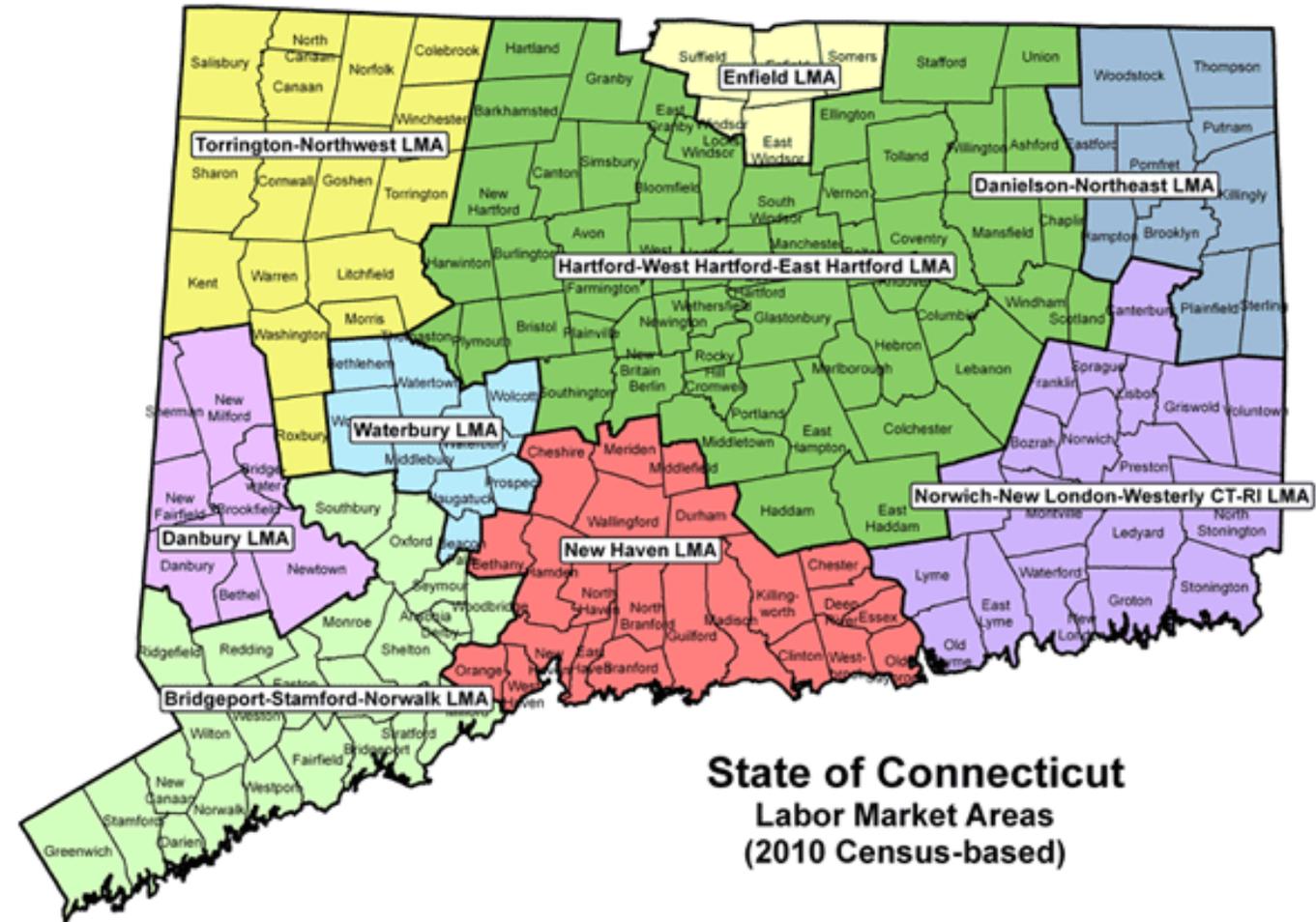
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Mobility & Labor Market Accessibility

Accessibility to employment opportunities is key to providing lower-income households economic opportunity.

This creates a spatial paradox for housing policy:

- Disproportionately clustering low-income households in the urban core harms those households (and communities) due to the associated socio-economic ills and poor educational performance with *large* concentration of poverty.
- Providing affordable housing for lower-income household in more affluent (rural-fringe) communities provides greater educational opportunities but risks economic isolation from employment opportunities.
- Housing, and affordable housing, policy must seek to strike a balance between the clustering of poverty in the core and the economic isolation of low-income households at the periphery.





Fair Share Housing Proposal: Consideration

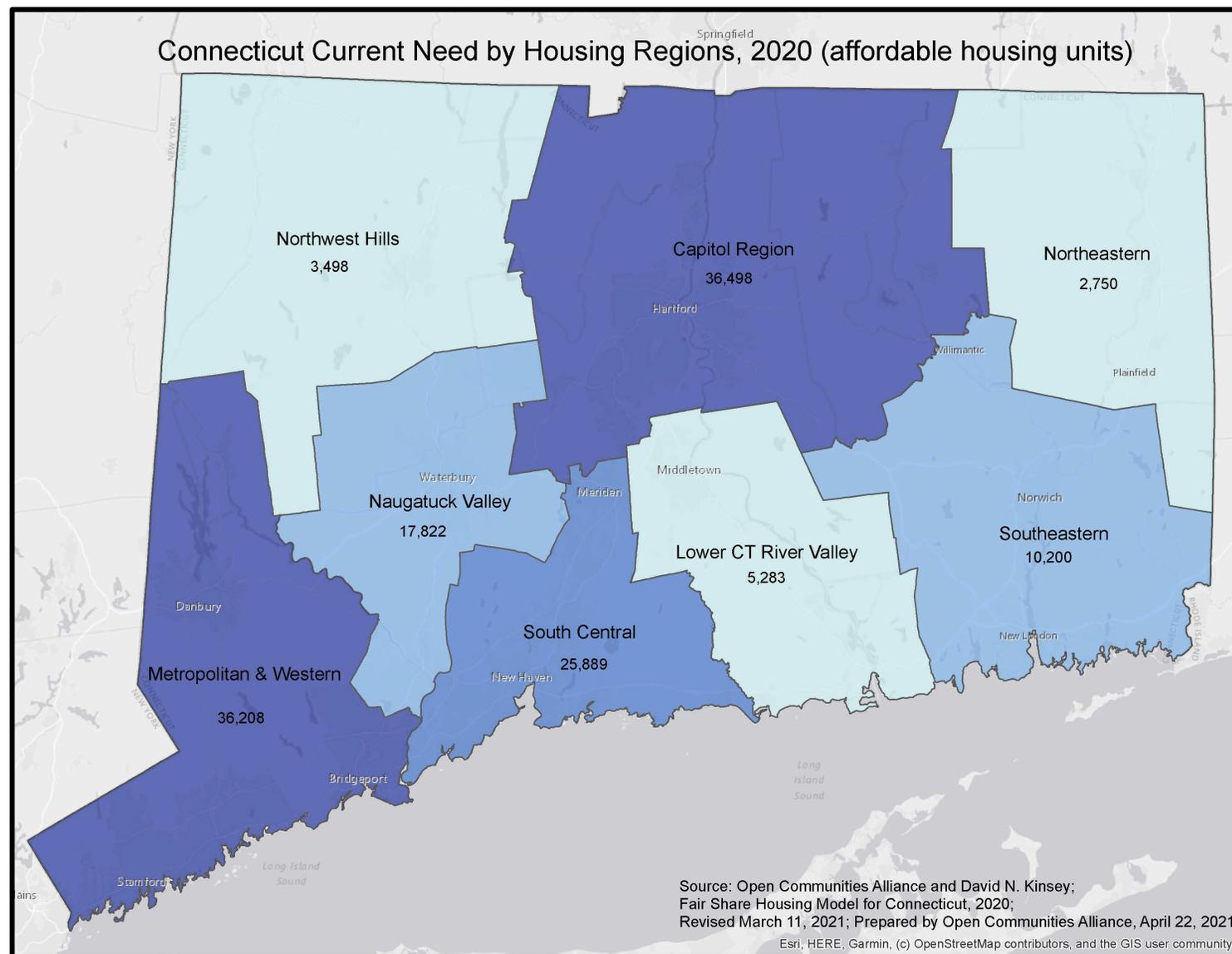
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Open Communities Alliance – Fair Share Housing Model (HB 6611)

Fair Share is the recognition that there is a role for *every town* in Connecticut in meeting the affordable housing needs of all of Connecticut residents.

Statewide, *nearly 140,000 households are extremely low income and severely cost burdened*. The Fair Share methodology allocates that need for affordable housing to each town, based on a fair assessment of their responsibility and capacity to build affordable housing. Adopting a Fair Share system in Connecticut will:

1. Allow municipalities to comply with Connecticut law which requires towns to "encourage the development of ... multifamily dwellings" to meet the regional affordable housing need and to "promote housing choice and economic diversity, including housing for both low- and moderate-income households." (Connecticut's Zoning Enabling Act, General Statutes § 8-2)
2. Begin to reverse a century of racial and economic segregation, perpetuated by so-called "race-neutral" zoning regulations.



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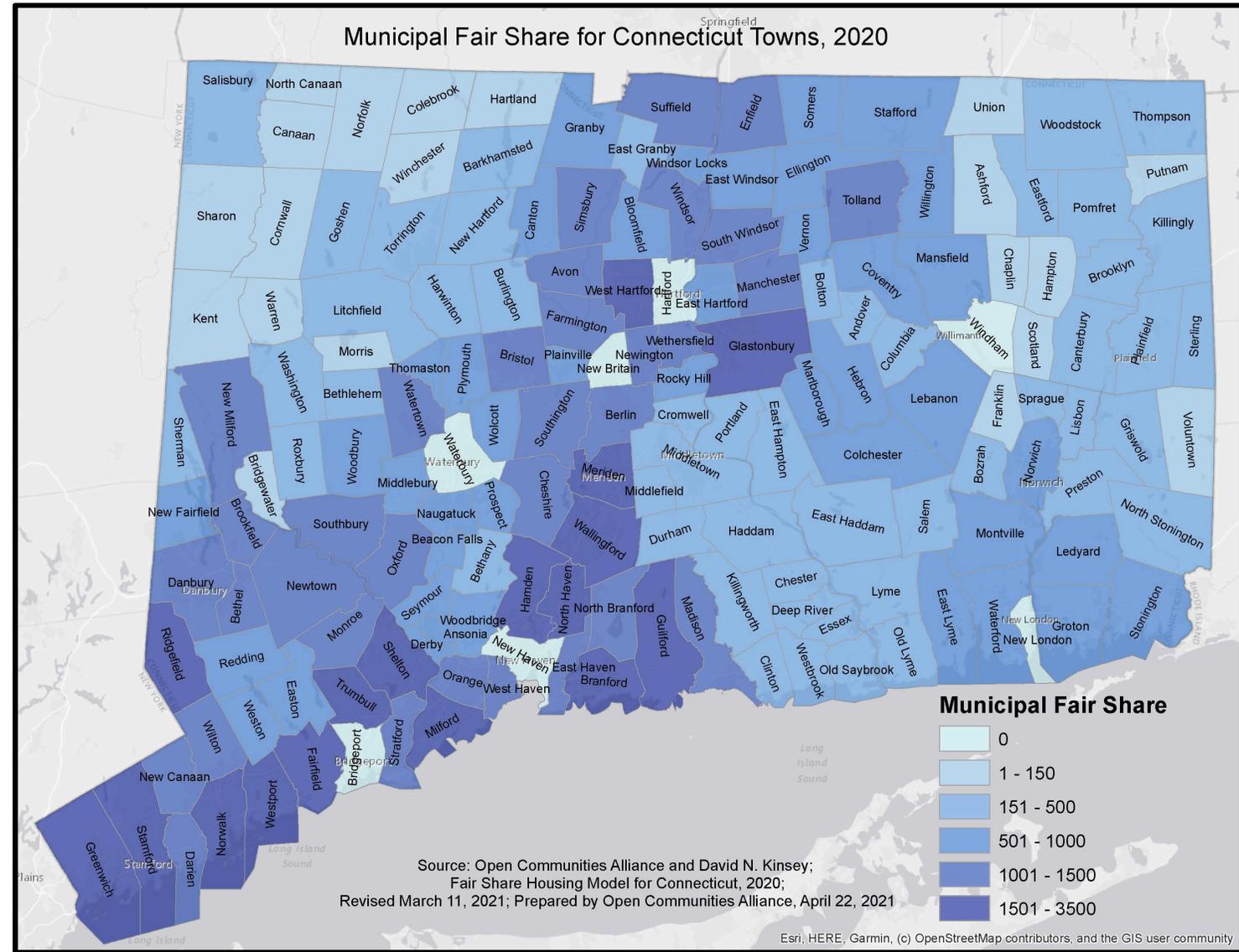
Open Communities Alliance – Fair Share Housing Model (HB 6611)

3. Give towns control over how they want to meet their obligation for affordable housing, as long as they accomplish their Fair Share!

This system allows planning and zoning commissions flexibility and control over how they achieve their Fair Share of affordable housing, while providing a reasonable assessment of each town's responsibility.

East Lyme:

- Municipal Fair Share Allocation = 800 Housing Units
- 8-30g Allocation (10%) = 860 Housing Units
- Existing Qualified Affordable = 520 (6.15%)





Income and Housing Costs Case Study:
Owner and Renter Occupied Housing – Hartford County

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1. Household Income by Household Size

Income	4 person	3 person	2 person	1 person
120% AMI	\$125,160	\$112,644	\$100,128	\$87,612
100% AMI	\$104,300	\$93,870	\$83,440	\$73,010
80% AMI	\$83,440	\$75,096	\$66,752	\$58,408
60% AMI	\$62,580	\$56,340	\$50,100	\$43,860
50% AMI	\$52,150	\$46,935	\$41,720	\$36,505
30% AMI	\$31,300	\$28,200	\$25,050	\$21,950
25% AMI	\$26,075	\$23,468	\$20,860	\$18,253

2. 30% Household Income by Household Size

Income	4 person	3 person	2 person	1 person
120% AMI	\$37,548	\$33,793	\$30,038	\$26,612
100% AMI	\$31,290	\$28,161	\$25,032	\$21,903
80% AMI	\$25,032	\$20,865	\$20,025	\$17,522
60% AMI	\$18,774	\$16,920	\$15,030	\$13,158
50% AMI	\$15,645	\$14,080	\$12,720	\$10,951
30% AMI	\$9,399	\$8,460	\$7,515	\$6,585
25% AMI	\$7,822	\$7,040	\$6,258	\$5,475

Household Income and Income Available for Housing

Table 1. Median Household Income for 1-4 person households from 25% to 120% Area Median Income (AMI) in the Hartford area.

Table 2. Translates AMI by household size to 30% household income.

Table 3. Translates 30% household income to monthly income available for housing.

Table 4. Hourly wage equal to median household income.

Minimum Wage: As of July 1, 2022, CT minimum wage is \$14.00 per hour. \$14.00/hour = \$28,000 per year—approximately 36% AMI. The Federal Poverty Limit for a family of 4 is \$27,750.

3. Affordable Monthly Housing Cost at 30% Household Income

Income	4 person	3 person	2 person	1 person
120% AMI	\$3,129	\$2,816	\$2,503	\$2,217
100% AMI	\$2,607	\$2,346	\$2,086	\$1,825
80% AMI	\$2,086	\$1,738	\$1,668	\$1,460
60% AMI	\$1,564	\$1,410	\$1,252	\$1,096
50% AMI	\$1,303	\$1,173	\$1,060	\$912
30% AMI	\$783	\$705	\$626	\$548
25% AMI	\$651	\$586	\$521	\$456

4. Hourly Wage by AMI & Household

Wage	2 PHH	1 PHH
120% AMI	\$50.06	\$43.80
100% AMI	\$41.72	\$36.50
80% AMI	\$33.37	\$29.20
60% AMI	\$25.05	\$21.93
50% AMI	\$20.86	\$18.25
30% AMI	\$12.52	\$10.97
25% AMI	\$10.43	\$9.12

Source: 2020 U.S. Census Estimates.

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5. Affordable Monthly Rent at 30% Household Income

Income	4 person	3 person	2 person	1 person
120% AMI	\$3,129	\$2,816	\$2,503	\$2,217
100% AMI	\$2,607	\$2,346	\$2,086	\$1,825
80% AMI	\$2,086	\$1,738	\$1,668	\$1,460
60% AMI	\$1,564	\$1,410	\$1,252	\$1,096
50% AMI	\$1,303	\$1,173	\$1,060	\$912
30% AMI	\$783	\$705	\$626	\$548
25% AMI	\$651	\$586	\$521	\$456

6. Existing Rental Housing Units & Market Rents

Rent Amount	State		Hartford County	
Occupied – Rental	451,178	---	121,957	---
Less than \$500	43,229	9.6%	12,880	10.6%
\$500 to \$999	103,220	22.9%	32,187	26.4%
\$1,000 to \$1,499	173,291	38.4%	52,861	43.3%
\$1,500 to \$1,999	80,751	17.9%	18,562	15.2%
\$2,000 to \$2,499	28,467	6.3%	3,539	2.9%
\$2,500 to \$2,999	10,801	2.4%	1,034	0.8%
\$3,000 or more	11,419	2.5%	894	0.7%
Median (dollars)	\$1,201	---	\$1,130	---
No rent paid	18,851	---	4,833	---

Rental Affordability – Hartford County:

Segment market into *existing and newly constructed* rental housing.

- Existing and newly constructed rental stock are different housing products.
- It is challenging and *expensive* to provide affordable housing with a newly constructed rental housing.
- Filtering is the process by which newly constructed housing (higher priced) create downward pressure on existing units as renters of means trade up.
- Existing Units:** Rent from <\$500 to >\$3,000 per month. *Median rent = \$1,130.*
 - Only **19.6%** of rents are above **\$1,500/month** (approximately 80% AMI).
 - Only **4.4%** of rents are above **\$2,000.**
 - 37%** of rents below **\$1,000/month** (approx. 60% AMI or below).
 - Much of the existing rental units are affordable.*
- New Construction:** rent from **\$1,265** (studios) to **\$2,450+** (3-bedrooms) per month.
 - Market rents of newly constructed units are **NOT** affordable at 60% or 80% AMI.

7. New Construction - Market Rents

Based on unit sizes of:

- 550 SF (Studio),
- 725 SF(1-bd),
- 1,050 SF (2-bd), and
- 1,325 SF (3-bd)

Market rents for newly constructed rental units estimated at:

- \$1,265 (studio @ \$2.30/SF)
- \$1,600 (1BR @ \$2.20/SF)
- \$2,070 (2BR @ \$1.97/SF)
- \$2,450 (3BR @ \$1.85/SF)

8. Household Income by Total Households

Household Income	State	Hartford
Total	1,385,437	353,653
Less than \$10,000	5.0%	5.7%
\$10,000 to \$14,999	3.4%	3.7%
\$15,000 to \$24,999	3.3%	7.0%
\$25,000 to \$34,999	3.6%	7.2%
\$35,000 to \$49,999	6.9%	10.3%
\$50,000 to \$74,999	10.0%	15.4%
\$75,000 to \$99,999	15.4%	12.7%
\$100,000 to \$149,999	12.2%	17.8%
\$150,000 or more	17.6%	17.1%
Median income (dollars)	\$79,043	\$77,005

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Housing Unit Utility Costs

Table 9. CT Department of Housing, Housing Choice Voucher Program – Utility Allowance Schedule (2021).

- Provides a means of estimating utility costs as part of the housing affordability calculations.

9. Housing Unit Utility Costs

Utilities	0-bd	1-bd	2-bd	3-bd
Heating	\$32	\$58	\$73	\$87
Cooking	\$9	\$11	\$14	\$18
Hot Water	\$20	\$25	\$34	\$50
Electricity	\$29	\$36	\$47	\$54
Cold Water*	\$25	\$39	\$66	\$93
Sewer*	\$11	\$21	\$42	\$63
Trash*	\$35	\$35	\$35	\$35
Refrigerator	\$3	\$3	\$3	\$3
Range/Stove	\$2	\$2	\$3	\$3
Gas Service Fee	\$18	\$18	\$18	\$18
Total	\$184	\$248	\$335	\$424
*Effective Total	\$113	\$153	\$192	\$233

*Utility assumed to be included in rent.

Household Income Limits, Utilities, and Rent

Table 10. calculates and deducts yearly utility costs (Utility Deduction) from the maximum housing expenditure (30% Total Housing) to estimate the household income (income for Rent) available for rent. The Income for Rent is then divided by 12 to provide the maximum affordable monthly rent at 60% and 80% AMI.

10. Household Income Limits, Utilities, and Rent Limits

Hartford MSA HH	60% AMI	80% AMI	100% AMI
1-person			
30% Total Housing	\$43,860	\$58,408	\$73,010
Utility Deduction	\$13,158	\$17,522	\$21,903
Income for Rent	-\$1,356	-\$1,356	---
Income for Rent	\$11,802	\$16,166	\$21,903
Max Monthly Rent	\$983	\$1,347	\$1,825
2-person			
30% Total Housing	\$50,100	\$66,752	\$83,440
Utility Deduction	\$15,030	\$20,025	\$25,032
Income for Rent	-\$1,836	-\$1,836	---
Income for Rent	\$13,194	\$18,189	\$25,032
Max Monthly Rent	\$1,099	\$1,515	\$2,086
3-person			
30% Total Housing	\$56,340	\$75,096	\$93,870
Utility Deduction	\$16,920	\$22,528	\$28,161
Income for Rent	-\$2,304	-\$2,304	---
Income for Rent	\$14,616	\$20,224	\$28,161
Max Monthly Rent	\$1,218	\$1,685	\$2,346
4-person			
30% Total Housing	\$62,580	\$83,440	\$104,300
Utility Deduction	\$18,774	\$25,032	\$31,032
Income for Rent	-\$2,796	-\$2,796	---
Income for Rent	\$15,978	\$22,236	\$31,032
Max Monthly Rent	\$1,331	\$1,853	\$2,586

Utility Costs:

- Accounting for utility costs reduces income available for rent—further reducing affordability.
- Affordable monthly rent decreases by approximately \$115 to \$235 per unit per month depending on the number of persons, bedrooms, and income.

Market Rents – New Construction

- \$1,265 (studio)
- \$1,600 (1-bedroom)
- \$2,070 (2-bedroom)
- \$2,450 (3-bedroom)

Market Rents – Existing Units

- From <\$500 or less (assumed to be studios) to >\$3,000 (assumed to be 3-plus bedrooms) per month.
- Median rent is **\$1,130**.

Considerations

With only 19.6% of rents for existing rental units being above \$1,500/month and median rent of \$1,130, existing rentals are marginally affordable to households at 80% AMI. Rents are mostly unaffordable at 60% AMI.

East Lyme: Understanding Affordable Housing

12. Affordable Home Purchase Price at 30% Household Income

Income	4 person	3 person	2 person	1 person
120% AMI	\$325,416	\$292,874	\$260,332	\$227,791
100% AMI	\$271,180	\$244,062	\$216,944	\$189,826
80% AMI	\$216,944	\$195,249	\$173,555	\$151,860
60% AMI	\$162,708	\$146,484	\$130,260	\$114,036
50% AMI	\$135,590	\$122,031	\$108,472	\$94,913
30% AMI	\$81,380	\$73,320	\$65,130	\$57,070
25% AMI	\$67,795	\$61,016	\$54,236	\$47,457

11. Household Income by Total Households

Household Income	State	Hartford
	1,385,437	348,871
Less than \$10,000	5.0%	6.0%
\$10,000 to \$14,999	3.4%	3.8%
\$15,000 to \$24,999	3.3%	8.0%
\$25,000 to \$34,999	3.6%	7.8%
\$35,000 to \$49,999	6.9%	11.3%
\$50,000 to \$74,999	10.0%	16.0%
\$75,000 to \$99,999	15.4%	13.0%
\$100,000 to \$149,999	12.2%	16.9%
\$150,000 or more	17.6%	17.1%
Median income (dollars)	\$79,043	\$77,005

Ownership Affordability –

Hartford County:

To afford the median owner-occupied home of **\$242,900**, a household requires a median income of approximately **\$80,966**.

- **35.1%** of owner-occupied housing units are valued at less than **\$200,000**.
- **32.4%** valued between \$200K & \$300K.
 - Households above 80% AMI are mostly served by the owner-occupied housing stock (77.7% of owner housing is valued between \$150,000 & \$500,000—affordable to household incomes of \$50,000 to \$167,000. 63% of households at or above \$50,000.
- 15.2% of the owner-occupied housing valued below \$150,000, 6% valued under \$100,000.
- New single-family construction costs conservatively \$250/sq. ft. (a 1,000 sq. ft. home costs approx. \$250,000 to build. A 2,000 sq. ft. home cost \$500,000 to build).

13. Housing Value by Owner-Occupied Households

Housing Value	State	State	Hartford	Hartford
Occupied – Ownership	906,798	---	226,863	---
Less than \$50,000	24,038	2.7%	4,005	1.8%
\$50,000 to \$99,999	29,789	3.3%	6,404	2.8%
\$100,000 to \$149,999	83,320	9.2%	23,189	10.2%
\$150,000 to \$199,999	141,024	15.6%	45,945	20.3%
\$200,000 to \$299,999	244,356	26.9%	73,401	32.4%
\$300,000 to \$499,999	236,671	26.1%	56,655	25.0%
\$500,000 to \$999,999	106,192	11.7%	15,372	6.8%
\$1,000,000 or more	41,408	4.6%	1,892	0.8%
Median (dollars)	\$270,100	---	\$242,900	---

Considerations

- Addressing housing affordability through the ownership market is challenging, at best. The cost of new construction exceeds the income capacity of households at or below 80% AMI.
- A newly constructed 971 sq. ft. single-family house would need to sell for the median home value (\$242,900), requiring a household income of **\$80,966**—or approximately 80% AMI affordability for a 4-person household.
- This is, in-part, why 8-30g falls short of producing a meaningful number of units. (At **60% AMI (\$62,580)** a household can only afford a home valued at approximately **\$162,708**.)



Estimating Affordable Housing Need

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Estimating the Need for Affordable Housing

Connecticut: 443,295 (31.9%) household earn <\$50,000 (50% - 60% AIM depending on HH size).

Connecticut: 174,337 qualified affordable housing units or 39.3% of the 443,295 of households earning <\$50,000.

- 268,958 households not served by the *existing affordable qualified housing*.

Income and Housing Cost Comparison:

Hartford County: 120,076 (33.9%) households earn <\$50,000 and approximately 44,833 (37.3%) qualified affordable units—46% of which are in the City of Hartford (unfair share of affordable housing).

Hartford County: 120,076 households earning <\$50,000 and 160,521 housing units with monthly housing cost of \$1,250 or less.

- 31,415 more housing units affordable below \$50,000 than there are households - ***Supply outpacing demand***.
- Assume 44,833 (34.7%) of those 129,106 households (<\$50,000) are served by *qualified affordable housing*, means there are 83,273 household served by affordable *market rate* housing units. ***Supply meeting demand***.

At incomes below \$25,000/year (approximate poverty rate) there are 44,451 households (rental) and only 22,203 households (rental) paying \$625 (30%) or less per month for rent. ***Demand outpacing supply (demand is double supply)***.

The greatest housing affordability need is at the lowest income levels.

Note: The above numbers and calculations are approximations for general planning purposes. Data is sourced from both the 2018 and 2020 U.S. Census estimates.

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16. Housing Cost as Percent of Household Income **New London County**

Housing Cost as % of Income	Occupied	Percent	Owner	Percent	Renter	Percent
HC - Occupied Housing Units	109,616	---	73,565	---	35,051	---
Less than \$20,000	10,072	9.2%	3,727	5.1%	6,345	17.6%
Less than 20 percent	549	0.5%	49	0.1%	500	1.4%
20 to 29 percent	860	0.8%	137	0.2%	723	2.0%
30 percent or more	8,663	7.9%	3,541	4.8%	5,122	14.2%
\$20,000 to \$34,999	11,310	10.3%	4,972	6.8%	6,338	17.6%
Less than 20 percent	645	0.6%	305	0.4%	340	0.9%
20 to 29 percent	1,716	1.6%	980	1.3%	736	2.0%
30 percent or more	8,949	8.2%	3,687	5.0%	5,262	14.6%
\$35,000 to \$49,999	12,138	11.1%	6,389	8.7%	5,749	15.9%
Less than 20 percent	1,692	1.5%	1,304	1.8%	388	1.1%
20 to 29 percent	3,183	2.9%	1,436	2.0%	1,747	4.8%
30 percent or more	7,263	6.6%	3,649	5.0%	3,614	10.0%
\$50,000 to \$74,999	18,914	17.3%	11,861	16.1%	7,053	19.6%
Less than 20 percent	6,421	5.9%	4,677	6.4%	1,744	4.8%
20 to 29 percent	7,092	6.5%	3,156	4.3%	3,936	10.9%
30 percent or more	5,401	4.9%	4,028	5.5%	1,373	3.8%
\$75,000 or more	55,148	50.3%	46,389	63.1%	8,759	24.3%
Less than 20 percent	37,750	34.4%	31,690	43.1%	6,060	16.8%
20 to 29 percent	14,325	13.1%	11,991	16.3%	2,334	6.5%
30 percent or more	3,073	2.8%	2,708	3.7%	365	1.0%
Zero or negative income	732	0.7%	227	0.3%	505	1.4%
No cash rent	1,302	1.2%	(X)	(X)	1,302	3.6%

Housing Costs as Percent of Household Income:

- **Percent of Income by Income & Tenure:** Households spending more than 30% of income on housing suffer from excessive housing costs—the table shows:
 - **Housing affordability tracks with income.** Low- and moderate-income households spend higher percent of income on housing—many spending over 30% on housing.
 - **Housing affordability tracks with tenure.** Renters spend higher percent of income on housing. For example, **38.8%** of renter households with incomes less than \$50,000 spend more than **30%** of income for housing. Only **14.8%** of owner-occupied households with incomes less than \$50,000 spend more than 30%.
- Housing affordability impacts lower income and rental households the most.
- **Context:** a household income of \$38,52 to \$46,203 is between 50% to 60% AMI—depending on household size.
- **Conclusion:** The problem of housing affordability is more a problem of *income (low income)*, than a problem of *housing cost*.

East Lyme: Understanding Affordable Housing

17. Housing Cost as Percent of Household Income **East Lyme**

Housing Cost/% of Income	Occupied Percent		Owner Percent		Renter Percent	
Less than \$20,000	640	8.7%	333	6.2%	307	15.3%
Less than 20 percent	0	0.0%	0	0.0%	0	0.0%
20 to 29 percent	63	0.9%	9	0.2%	54	2.7%
30 percent or more	577	7.8%	324	6.0%	253	12.6%
\$20,000 to \$34,999	523	7.1%	248	4.6%	275	13.7%
Less than 20 percent	13	0.2%	7	0.1%	6	0.3%
20 to 29 percent	55	0.7%	22	0.4%	33	1.6%
30 percent or more	455	6.2%	219	4.1%	236	11.8%
\$35,000 to \$49,999	707	9.6%	323	6.0%	384	19.2%
Less than 20 percent	105	1.4%	83	1.5%	22	1.1%
20 to 29 percent	150	2.0%	86	1.6%	64	3.2%
30 percent or more	452	6.1%	154	2.9%	298	14.9%
\$50,000 to \$74,999	1,022	13.9%	809	15.1%	213	10.6%
Less than 20 percent	393	5.3%	379	7.1%	14	0.7%
20 to 29 percent	343	4.7%	218	4.1%	125	6.2%
30 percent or more	286	3.9%	212	4.0%	74	3.7%
\$75,000 or more	4,372	59.4%	3,616	67.5%	756	37.8%
Less than 20 percent	2,994	40.7%	2,538	47.4%	456	22.8%
20 to 29 percent	1,053	14.3%	821	15.3%	232	11.6%
30 percent or more	325	4.4%	257	4.8%	68	3.4%
Zero or negative income	41	0.6%	31	0.6%	10	0.5%
No cash rent	56	0.8%	(X)	(X)	56	2.8%

Housing Costs as Percent of Household Income:

- **Percent of Income by Income & Tenure:** Households spending more than 30% of income on housing suffer from excessive housing costs—the tables show:
 - **Housing affordability tracks with income.** Low- and moderate-income households spend higher percent of income on housing—many spending over 30% on housing.
 - **Housing affordability tracks with tenure.** Renters spend higher percent of income on housing. For example, **39.3%** of renter households with incomes less than \$50,000 spend more than **30%** of income for housing. Only **13%** of owner-occupied households with incomes less than \$50,000 spend more than 30%.
- Housing affordability impacts lower income and rental households the most.
- **Context:** a household income of \$38,52 to \$46,203 is between 50% to 60% AMI—depending on household size.
- **Conclusion:** The problem of housing affordability is more a problem of *income (low income)*, than a problem of *housing cost*.
- **East Lyme:** While the greatest need is below 50% AMI, the best opportunity for creating affordable housing at incomes between 60% and 80% AMI.



The Demographics of Housing & Households

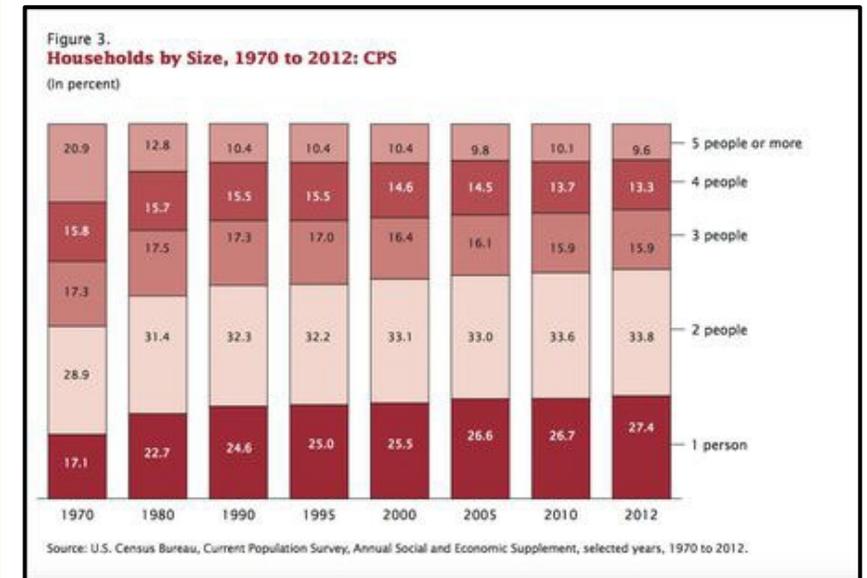
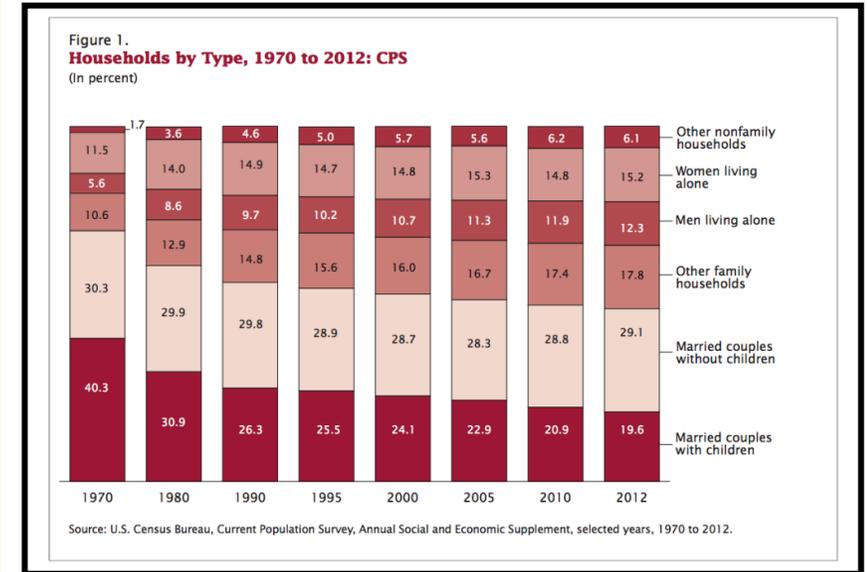
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Demographic Structure: Households and Affordability

- **Changing Structure of Households:** Demographic change and household formations are the primary driver of housing demand in Connecticut.
 - *Fertility rates and household size* have been declining for decades.
 - Connecticut Fertility Rate: 1.88 in 2008, down to 1.51 in 2020.
 - **Median Age:** US = 38.3 - CT = 40.6 - NLC = 41.4 - **East Lyme = 47.4**
 - The percent of married couple households with children (<18yrs) declined from **40.3%** in 1970 to 19.6% in 2012. Now approximately **19.0%**.
 - Nationally, **28%** of households (2020) are 1-person compared to **13%** in 1960.
 - From 1960 to 2016, the percent of children living with only their mother increased from **8% to 23%**—living with only their father increased from 1% to 4%.
 - A lack of affordable housing most harms single mothers. *When we opposed affordable housing, we are likely opposing single mothers.*
 - Most of the housing stock—especially, single-family detached—was built to serve the needs of family households of the past, not *the smaller—predominantly 1- and 2-person—households of today.*

17. Occupied Housing by Household Size

New London County	Occupied	%	Owner	%	Renter	%	East Lyme	Owner	%	Renter	%
Occupied housing units	109,616		73,565		36,051		Occupied housing units	5,360		36,051	
1-person household	30,769	28.1%	16,353	22.2%	14,416	40.0%	1-person household	1,080	20.1%	889	44.4%
2-person household	39,151	35.7%	29,098	39.6%	10,053	27.9%	2-person household	2,340	43.7%	728	36.4%
3-person household	18,575	16.9%	12,194	16.6%	6,381	17.7%	3-person household	718	13.4%	217	10.8%
4-or-more-person hh	21,121	19.3%	15,920	21.6%	5,201	14.4%	4-or-more-person hh	1,222	22.8%	167	8.3%



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East Lyme – Housing Characteristics	Estimate	Percent
HOUSING OCCUPANCY		
Total housing units	8,610	8,610
Occupied housing units	7,361	85.5%
Vacant housing units	1,249	14.5%
Homeowner vacancy rate	0.4	(X)
Rental vacancy rate	1.0	(X)
UNITS IN STRUCTURE		
Total housing units	8,610	8,610
1-unit, detached	6,707	77.9%
1-unit, attached	270	3.1%
2 units	248	2.9%
3 or 4 units	324	3.8%
5 to 9 units	234	2.7%
10 to 19 units	331	3.8%
20 or more units	453	5.3%
Mobile home	43	0.5%
Boat, RV, van, etc.	0	0.0%
YEAR STRUCTURE BUILT		
Total housing units	8,610	8,610
Built 2014 or later	416	4.8%
Built 2010 to 2013	338	3.9%
Built 2000 to 2009	1,010	11.7%
Built 1990 to 1999	682	7.9%
Built 1980 to 1989	738	8.6%
Built 1970 to 1979	1,119	13.0%
Built 1960 to 1969	1,514	17.6%
Built 1950 to 1959	1,138	13.2%
Built 1940 to 1949	366	4.3%
Built 1939 or earlier	1,289	15.0%

East Lyme – Housing Characteristics	Estimate	Percent
ROOMS		
Total housing units	8,610	8,610
1 room	48	0.6%
2 rooms	167	1.9%
3 rooms	607	7.0%
4 rooms	905	10.5%
5 rooms	1,363	15.8%
6 rooms	1,422	16.5%
7 rooms	1,589	18.5%
8 rooms	1,114	12.9%
9 rooms or more	1,395	16.2%
Median rooms	6.4	(X)
BEDROOMS		
Total housing units	8,610	8,610
No bedroom	68	0.8%
1 bedroom	719	8.4%
2 bedrooms	2,144	24.9%
3 bedrooms	3,357	39.0%
4 bedrooms	1,900	22.1%
5 or more bedrooms	422	4.9%
HOUSING TENURE		
Occupied housing units	7,361	7,361
Owner-occupied	5,360	72.8%
Renter-occupied	2,001	27.2%
Average household size of owner-occupied unit	2.48	(X)
Average household size of renter-occupied unit	1.83	(X)
YEAR HOUSEHOLDER MOVED INTO UNIT		
Occupied housing units	7,361	7,361
Moved in 2019 or later	450	6.1%
Moved in 2015 to 2018	1,634	22.2%
Moved in 2010 to 2014	1,343	18.2%
Moved in 2000 to 2009	1,682	22.9%
Moved in 1990 to 1999	1,037	14.1%
Moved in 1989 and earlier	1,215	16.5%



Case Study – 8-30g Development and Financial Feasibility

East Lyme: Understanding Affordable Housing

Case Study – Sample 8-30g Set-Aside Development

A 400-unit multi-family rental development in Hartford County.

A *'set-aside development'* as defined by the CGS 8-30g—30% of the total units be restricted as affordable for at least 40-years.

Of the 30% affordable units, half (or 15% of total) of the units:

- shall be rented to persons and families whose income is less than or equal to 60% of the area median income, and
- the other half shall be rented to persons and families whose income is less than or equal to 80% of area median income.

For the purpose of this case study, the State Department of Housing, 2019 Development Program Income Limits based on HUD Median Incomes are used to determine the Area Median Income (AMI) for the Hartford MSA.

18.Total & Affordable Units

Units		400
Market Rate		280
Affordable		120
	@ 80% AMI	60
	@ 60% AMI	60

19.Unit Type & Mix

Unit Type & Mix	Total Units	60% AMI	80% AMI
Studios (10%)	40	6	6
1-Bedroom (25%)	100	15	15
2-Bedroom (50%)	200	30	30
3-Bedroom (15%)	60	9	9
Total	400	60	60

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Estimated Rental Rates by Income

Table 20. estimated rents at 60%, 80%, and 100% AMI compared to market rents (Market Rate). Market rents are based on newly constructed units in metropolitan Hartford and *do not account for housing utility costs*.

Assumption: studio and one-bedroom units are one-person households, two-bedroom units are two-person households, and three-bedroom units are four-person households. *The affordable rents (60% and 80% AMI) do not account for housing utility costs.*

20. Estimated Rental Rates by Income

Unit Mix	Unit Sq. Ft.	60% AMI Rent	80% AMI Rent	100% AMI Rent	Market Rate	60% AMI Rent/SF	80% AMI Rent/SF	100% AMI Rent/SF	Market Rent/SF
Studios (10%)	550	\$1,014	\$1,352	\$1,690	\$1,270	\$1.85	\$2.45	\$3.08	\$2.30
1-Bedroom (25%)	725	\$1,156	\$1,546	\$1,932	\$1,600	\$1.60	\$2.13	\$2.66	\$2.20
2-Bedroom (50%)	1,050	\$1,289	\$1,739	\$2,174	\$2,070	\$1.23	\$1.66	\$2.08	\$1.97
3-Bedroom (15%)	1,325	\$1,449	\$1,932	\$2,415	\$2,450	\$1.10	\$1.46	\$1.83	\$1.85

Project (Development) Feasibility, Affordable Housing, and Investment

In the metro Hartford market, a rental rate of approximately \$2 per square foot is required for a development to be financially feasible. As shown above, the return on market rents is greatest for studios and 1-bedroom units—above \$2/sf. Two-bedroom units return just below the \$2 per square foot and the 3-bedroom returns are the weakest. This variation in return on rents indicates that unit size and unit mix (i.e. number of bedrooms) are key determinates of the average return on rents being above or below \$2 per square foot—the feasibility threshold.

Affordable Rents: The per square foot return on the 2- and 3-bedroom affordable units/rents are well below the \$2 per square foot threshold, while the 80% AMI studios and 1-bedroom units are above. The affordable rents for studios and 1-bedroom units at 80% AMI are similar to market rate rents. However, the low return on rents for the 2- and 3-bedroom affordable units and the 60% AMI units (all types) pull the overall return on rents down, negatively impacting financial feasibility for the development.

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Estimated Rental Rates by Income (Adjusted for Housing Utility Cost)

Table 21 provides estimated rents at 60%, 80%, and 100% AMI compared to market rents (Market Rate) for newly constructed units—all rents *are adjusted for housing utility costs*. Table 22 (for comparison) is the same as Table 20 on the prior slide (rents are not adjusted for utilities).

21. Estimated Rental Rates by Income – Adjusted for Housing Utility Cost

Unit Mix	Sq. Ft.	60% AMI Rent	80% AMI Rent	100% AMI Rent	Market Rate	60% AMI Rent/SF	80% AMI Rent/SF	100% AMI Rent/SF	Market Rent/SF
Studios (10%)	550	\$900	\$1,253	\$1,713	\$1,270	\$1.64	\$2.28	\$3.12	\$2.30
1-Bedroom (25%)	725	\$900	\$1,253	\$1,713	\$1,600	\$1.24	\$1.73	\$2.37	\$2.20
2-Bedroom (50%)	1,050	\$1,003	\$1,407	\$1,958	\$2,070	\$0.96	\$1.35	\$1.92	\$1.97
3-Bedroom (15%)	1,325	\$1,208	\$1,714	\$2,447	\$2,450	\$0.92	\$1.31	\$1.85	\$1.85

22. Estimated Rental Rates by Income (Not Adjusted for Housing Utility Cost)

Unit Mix	Sq. Ft.	60% AMI Rent	80% AMI Rent	100% AMI Rent	Market Rate	60% AMI Rent/SF	80% AMI Rent/SF	100% AMI Rent/SF	Market Rent/SF
Studios (10%)	550	\$1,014	\$1,352	\$1,690	\$1,270	\$1.85	\$2.45	\$3.08	\$2.30
1-Bedroom (25%)	725	\$1,156	\$1,546	\$1,932	\$1,600	\$1.60	\$2.13	\$2.66	\$2.20
2-Bedroom (50%)	1,050	\$1,289	\$1,739	\$2,174	\$2,070	\$1.23	\$1.66	\$2.08	\$1.97
3-Bedroom (15%)	1,325	\$1,449	\$1,932	\$2,415	\$2,450	\$1.10	\$1.46	\$1.83	\$1.85

Considerations

As designed (from a policy perspective) 8-30g shifts the cost/burden of the affordable housing units to the developer in return for the benefits of circumventing zoning constraints. Unfortunately, the affordable units, especially two- and three-bedroom units create financial feasibility challenges for such developments. In addition, the adjustment for utility costs also shifts the costs of utilities to the developer/owner.

East Lyme: Understanding Affordable Housing

Effective Average Rental Rates – Affordable & Market (Adjusted for Housing Utility Costs)

Tables 23 effective rental rates (or weighted average) of rent per square foot by unit type. This is the average rent across a unit type (i.e. Studios) if 15% of the units rent at 60% AMI, 15% at 80% AMI, and 70% rent at market rate. The effective rents are compared with the market rents to show how the 30% affordable units pull the effective rents down. With studios being the least common units and two-bedroom units being the most common (developed in the market today), the challenge of providing 30% affordable units through the private market becomes evident. Most important, 3-bedroom units, those most needed by low- and moderate-income families, are the most challenging units to provide.

The Revenue Per Unit column shows the income loss per unit, by type, and per year (difference between Market Rate rents and Effective Rents). The Total Loss Per Year column is the cumulative loss per year for each unit type. Based on the unit mix, the effective rents result in a net loss of **\$449,760** per year in income (or an estimated **8% to 10%** of total operating income). The **8% to 10%** loss effectively destroys return on investment—the ability to return a profit.

Also note, since property valuation for income producing properties typically use the income approach to value, the loss in net operating income (NOI) reduces the appraised and assessed value of the property, thereby reducing tax revenues.

This case study shows it is not a lack of market demand for affordable housing or developer unwillingness to produce affordable housing that results in few 8-30g developments and affordable units. It is the weak financial feasibility of the affordable units that undermines the overall economic viability of 8-30g.

23. Effective Average Rental Rates – Affordable & Market

Unit Mix	60% AMI/SF	80% AMI/SF	Market Rate/SF	Effective Rate/SF	Effective Rent	Market Rate	Revenue Per Unit	Total Loss Per Year
Studios (40 or 10%)	\$1.64	\$2.28	\$2.30	\$2.24	\$1,232	\$1,265	-\$396	-\$15,840
1-Bedroom (100 or 25%)	\$1.24	\$1.73	\$2.20	\$2.09	\$1,515	\$1,600	-\$1,020	-\$102,000
2-Bedroom (200 or 50%)	\$0.96	\$1.35	\$1.97	\$1.84	\$1,934	\$2,070	-\$1,632	-\$326,400
3-Bedroom (60 or 15%)	\$0.92	\$1.31	\$1.85	\$1.73	\$2,292	\$2,450	-\$6,300	-\$113,760

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Estimated Rental Rates by Income (Adjusted for Housing Utility Cost)

The tables below are aimed at demonstrating how regulatory constraints (i.e. unit size) impact financial feasibility and housing affordability. All three tables estimate construction costs, required rents, and market rents for newly constructed rental units in metro Hartford.

Table 24 and 25 are not adjusted for housing utility costs. Table 26 is adjusted for housing utility costs.

24. Estimated Rental Rates by Income – Typical Unit Size

Unit Mix	Unit Sq. Ft.	Const. Cost/SF	Total Cost	8-Year Return	Required Rent Per Month	Required Rate/SF	Market Rent/SF	60% AMI Rent	80% AMI Rent	Market Rate
Studios (10%)	550	\$200	\$110,000	\$13,750	\$1,146	\$2.09	\$2.30	\$1,014	\$1,352	\$1,270
1-Bedroom (25%)	725	\$200	\$145,000	\$18,125	\$1,511	\$2.09	\$2.20	\$1,156	\$1,546	\$1,600
2-Bedroom (50%)	1,050	\$200	\$210,000	\$26,250	\$2,188	\$2.09	\$1.97	\$1,289	\$1,739	\$2,070
3-Bedroom (15%)	1,325	\$200	\$265,000	\$33,125	\$2,761	\$2.09	\$1.85	\$1,449	\$1,932	\$2,450

25. Estimated Rental Rates by Income – Reduced Unit Size

Unit Mix	Unit Sq. Ft.	Const. Cost/SF	Total Cost	8-Year Return	Required Rent Per Month	Required Rate/SF	Market Rent/SF	60% AMI Rent	80% AMI Rent	Market Rate
Studios (10%)	450	\$200	\$90,000	\$11,250	\$938 (-\$208)	\$2.09	\$2.30	\$1,014	\$1,352	\$1,035
1-Bedroom (25%)	600	\$200	\$120,000	\$15,000	\$1,250 (-\$261)	\$2.09	\$2.20	\$1,156	\$1,546	\$1,320
2-Bedroom (50%)	800	\$200	\$160,000	\$20,000	\$1,667 (-\$521)	\$2.09	\$1.97	\$1,289	\$1,739	\$1,576
3-Bedroom (15%)	1,000	\$200	\$200,000	\$25,000	\$2,083 (-\$678)	\$2.09	\$1.85	\$1,449	\$1,932	\$1,850

26. Estimated Rental Rates by Income – Adjusted for Housing Utility Cost

Unit Mix	Unit Sq. Ft.	Const. Cost/SF	Total Cost	8-Year Return	Required Rent Per Month	Required Rate/SF	Market Rent/SF	60% AMI Rent	80% AMI Rent	Market Rate
Studios (10%)	450	\$200	\$90,000	\$11,250	\$938 (-\$208)	\$2.09	\$2.30	\$900	\$1,253	\$1,035
1-Bedroom (25%)	600	\$200	\$120,000	\$15,000	\$1,250 (-\$261)	\$2.09	\$2.20	\$900	\$1,253	\$1,320
2-Bedroom (50%)	800	\$200	\$160,000	\$20,000	\$1,667 (-\$521)	\$2.09	\$1.97	\$1,003	\$1,407	\$1,576
3-Bedroom (15%)	1,000	\$200	\$200,000	\$25,000	\$2,083 (-\$678)	\$2.09	\$1.85	\$1,208	\$1,714	\$1,850

Considerations

Unfortunately, provisions requiring large floor areas and affordable units to be the same size as market rate units, undermine financial feasibility and affordability.

Allowing for differences in size of affordable units would improve financial feasibility.

By requiring affordable units to be the same size as market rate units, we are imposing a middle-class standard of living on lower-income households.

Note: The above numbers and calculations are approximations for general planning purposes.

East Lyme: Understanding Affordable Housing

The Effects of Affordability Requirements on Home Ownership – Single Family New Construction

The tables below provide the impact of 30% affordable units—purchase price of 15% of units at 60% AMI and 15% at 80% AMI—for a 30-lot subdivision with single-family detached homes. The same number of lots/units are considered at home sizes ranging from 1,000 to 2,500 square feet. The cost of construction per unit is conservatively estimated at \$220 per square foot and represented in the Total Cost/Unit column. Market sale price assumes a 12% return over the Total Cost. Area median income for the affordable units is based on a three-person household at \$88,100 AMI with 60% and 80% AMI calculated accordingly. The affordable purchase price is estimated at three times 60% and 80% AMI. The AMI Loss is the difference between the Market Price and the affordable purchase price at 60% and 80% AMI.

27. Single-Family Detached Home-Ownership Per Unit

# of Lots	House Size (Sq. Ft.)	Cost/Sq. Ft.	Total Cost/Unit	Market Price/Unit	60% AMI Price	80% AMI Price	60% AMI Loss	80% AMI Loss
30	2,500	\$220	\$550,000	\$616,000	\$156,960	\$211,464	-\$459,040	-\$404,536
30	2,000	\$220	\$440,000	\$492,800	\$156,960	\$211,464	-\$335,840	-\$281,336
30	1,500	\$220	\$330,000	\$369,600	\$156,960	\$211,464	-\$212,640	-\$158,136
30	1,000	\$220	\$220,000	\$246,400	\$156,960	\$211,464	-\$89,440	-\$34,936

28. Single-Family Detached Home-Ownership Total Development

# of Lots	House Size (Sq. Ft.)	Total Cost/30 Units	Market Profit	60% AMI 5-Unit Loss	80% AMI 5-Unit Loss	Combined Loss	Net Profit
30	2,500	\$16,500,000	\$1,980,000	\$2,295,200	\$2,022,680	-\$4,317,880	-\$2,337,880
30	2,000	\$13,200,000	\$1,584,000	\$1,679,200	\$1,406,680	-\$3,085,880	-\$1,501,800
30	1,500	\$9,900,000	\$1,188,000	\$1,063,200	\$790,680	-\$1,853,880	-\$665,880
30	1,000	\$6,600,000	\$792,000	\$447,200	\$174,680	-\$621,880	\$170,120

Monthly Mortgage Approach

Using median home value of \$235,000, with 10% down results in a principal & interest payment of approx. \$1,000/month. Add insurance, PMI, property taxes, and housing utility costs = approx. \$1,800/month (\$21,600/year). That requires a household income of \$70,000 or approximately 80% AMI.

Considerations

- The economic viability of single-family owner-occupied units collapse under the weight of the 8-30g affordability requirements.
- Incomes of \$52,860 (60% AMI) and \$70,480 (80%) are too low and the gap between the affordable unit price and Total Construction Cost and/or Market Value are too great for the 70% market rate units to carry cost burden of the affordable units.
- Even the smallest unit are not financially viable. Even the net Profit on the 1,000 sq. ft. units are only a 2.57% return on the total project cost—a return similar to a Certificate of Deposit (CD) and less than many conservative investment options that provide greater returns with less risk.

East Lyme: Understanding Affordable Housing

Housing as a Commodity

Amenities

2-bedroom
1-bathroom
1-car garage
1,000 sq. ft.

House Size

Housing Cost

Space

Time

Lot Size

Housing Affordability

Price

\$

\$\$

\$\$\$

\$\$\$\$

\$\$\$

Amenities

3-bedroom
2-bathroom
en-Suite
2-car garage
1,800+ sq. ft.

Housing Product Amenities

4-bedroom
2.5-bathroom
en-suite
3-car garage
2,500+ sq. ft.

Distance from Center

Years (1950s to 2000s)

Land Cost

As land cost increases the size of housing increases—to justify the land cost.

Land Cost

If land cost decrease the size of housing can decrease.



Policy Considerations

Some Conclusions

Housing Affordability

- **The problem of *housing affordability* is more a *problem of income***—than a problem of housing cost or supply.
 - The need for affordable housing is at or below 50% AMI (\$36,505 - \$52,150 HHI).
 - The greatest need for affordable is at or below 30% AMI (\$21,950 - \$31,300 HHI).
- **Policy Context: *housing affordability* and *need*:**
 - One-size-fits-all strategies (policies) do not and will not work.
 - Location specific strategies are required—county and municipal level locations.
 - Demand side (income) strategies are most effective for lowest income—voucher programs.
 - 60% and 80% AMI do not address the incomes of greatest need—the land use system cannot solve the affordability needs for the lowest income households. However, adding housing at 60% and 80% AMI provides much needed workforce housing and reduces downward pressure on lower value rentals for lower-income households.

Considerations – Local Actions to Address Housing Affordability

Inclusionary Zoning Provisions

- Remove *conditional use requirements* for multi-family and affordable housing developments.
- Eliminate *minimum unit-size requirements* for all housing units—*it's the law*.
- Allow *affordable units to be smaller* than market-rate units.
- Allow accessory dwelling units as-of-right.
- Reduce *excessive parking requirements* that artificially inflate development costs.
- Encourage/permit affordable housing through a zoning regulation aimed at providing affordable housing.
 - Assess local market and determine need. Calculate households by income, units by cost, and construction costs to determine market feasibility, affordability levels, unit mix, and align deed restrictions with 8-30g set-aside-development requirements.

Other Consideration

- Explore options for conversions of existing units to affordable units:
 - Purchase or lease of existing units?
 - Provide tax abatements for conversion or creation of affordable units from existing units?
 - Waive permit fees.
 - Create an Affordable Housing Trust Fund



THANK YOU!

Professional Experience: Dr. Donald Poland, AICP

Dr. Poland is a geographer, planner, and community strategist whose work focuses on assisting communities to compete for wealth and investment through strategic market, land use, and planning interventions that build community confidence, foster pride in place, create governance capacity, and grow market demand. With twenty-four years experience the public, private, non-profit, and academic sectors, Dr. Poland offers a unique perspective and approach to addressing the social, economic, and governance challenges of creating and maintaining resilient, vibrant, and prosperous communities.

Education

- Doctor of Philosophy (PhD), Geography. *Cities and Urbanization*. UCL (University College London). 2016
- Master of Science (MS), Geography/Planning. CCSU 2000
- Bachelor of Arts (BA), Psychology & Geography. CCSU 1995

Selected Achievements

- Consultancy work spans 19 states and 100+ communities.
- Extensive work on post-Katrina planning, land use, and redevelopment strategies in St. Bernard Parish, Louisiana.
- Accepted as an expert witness in *land use planning, neighborhood redevelopment, and community development* in the US District Court, Eastern District of Louisiana.
- Prepped an economic investment strategy for the City of Oswego, NY that was instrumental the City receiving a \$10 million Downtown Revitalization Grant.

