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Town of East Lyme, Connecticut

Planning Commission

Affordable Housing Plan

Adopted December 19, 2022

Effective January 1, 2023

GOMAN+YORK
PLANNING AND DESIGN

**Town of East Lyme, Connecticut
Planning Commission
Affordable Housing Plan**

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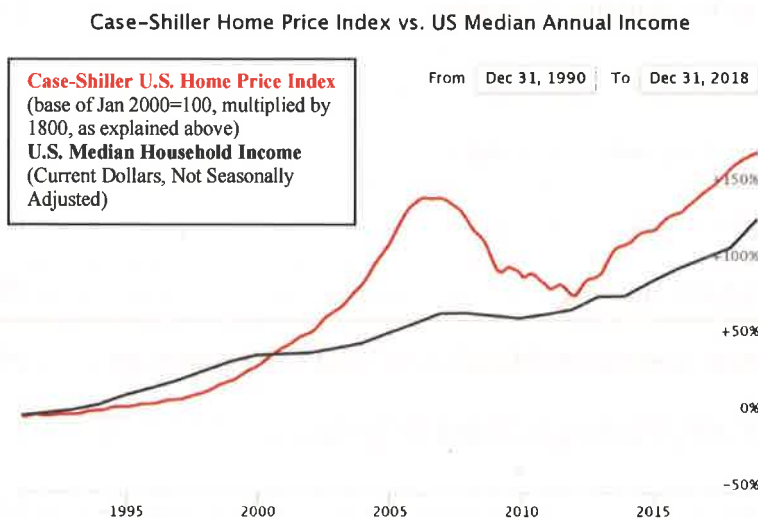
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Introduction

The United States is experiencing a housing crisis and Connecticut is not immune. This is a crisis of housing affordability (i.e., the need for affordable housing) and the social and economic ramifications bestowed upon lower-income, working- and middle-income households who are unable to access affordable housing. Both nationally and locally, the cost of housing has outpaced income growth, especially for low-income households. This has undermined access to quality housing proximate to transportation infrastructure and economic opportunities at affordable prices.

Historically, an average house in the U.S. cost around 5 times the yearly household income. During the housing bubble of 2006 the ratio exceeded 7 - in other words, an average single-family house in the United States cost more than 7 times the U.S. median annual household income. Connecticut and East Lyme have experienced similar increases in housing cost compared to income. The [Case-Shiller Home Price Index](#)¹ seeks to measure the price level of existing single-family homes in the United States. Based on the pioneering research the index is generally considered the leading measure of U.S. residential real estate prices. The index has a base of Jan 2000=100 and is multiplied by 1800 in order approximate the [Average Sales Price of Houses Sold for the United States](#). This ratio is heavily influenced by mortgage interest rates. When interest rates go down the affordability of a house goes up, so people spend more money on a house.



East Lyme is not immune to the national trend of housing value increasing and outpacing income. The economic and social ramifications of this affordable housing crisis are substantial. For example, many businesses struggle to retain and attract a qualified workforce because housing costs exceed the means of workforce salaries. Also, society and communities are becoming more segregated by both income and race. The poor, working, and even some middle-income families are priced out of prosperous communities that provide opportunities for upward mobility. Most concerning,

minority populations are disproportionately excluded from prosperous communities, economic opportunities, and improved quality of life. This is due to the correlation between wealth and race in America. Collectively, the economic and social ramifications of our affordable housing crisis often

¹ The data sets used in this Plan are based on most recent data available. Therefore, dates and sources vary based on the data set. U.S. Census data includes 2018 and 2020 estimates, and 2020 decennial census.

result in lower-income populations being isolated in distressed urban and rural communities, with few chances of betterment.

East Lyme, like many middle-income Connecticut communities, is not immune to this crisis or the negative consequences of a housing stock that is unaffordable to many households both in East Lyme and the surrounding communities. East Lyme, a picturesque coastal community, is in part dependent on tourism—an economic sector and industry that relies on a qualified workforce at modest wages.

East Lyme's bucolic and coastal setting attracts wealthy households and second (vacation) home ownership. East Lyme, as a desirable community and vacation destination, has greater demand for second homes, seasonal rentals, and other short-term rentals than most communities in Connecticut. Demand for these *destination-dwellings* creates greater pressure on the local housing market, constraining supply and increasing demand. That means that even though East Lyme has worked to implement the 2009 Affordable Housing Plan and increase affordable housing, it must continuously work harder and be more intentional in its efforts to maintain and provide housing affordability.

Planning for affordable housing is foundational to maintaining a vibrant and prosperous community. Without safe, quality, affordable housing, East Lyme cannot maintain its prosperity—if East Lyme can't maintain a workforce. This affordable housing plan is aimed at positioning East Lyme to compete for wealth and investment and to maintain a vibrant and prosperous community for generations to come. Becoming and remaining a vibrant and prosperous community does not occur by happenstance. It requires hard work, dedication, constancy of purpose, and good governance. It also requires the community to provide and maintain a quality housing stock that is affordable. The more vibrant and prosperous the community, the less affordable the housing. Prosperity and unaffordable housing are a good problem to have because they are more easily solved than problems of community stagnation, decline, and an overabundance of affordable housing resulting from weak demand and disinvestment.

Good governance starts with managing mundane qualities of everyday community life, with a view toward continuous improvement. Good governance is about managing, not resisting change, and ensuring that a community can fend off threats, cope with disturbance, and mitigate the negative consequence of well-intended actions. Having an unaffordable housing stock is a negative consequence of well-intended actions aimed at maintaining and growing prosperity. The more desirable a community becomes, the greater the demand for housing and the greater property values increase. However, when prosperity—wealth and property value—escalates, social, economic, and even racial exclusion threaten to undermine community well-being and place prosperity at risk. (*If the community cannot attract and retain a qualified workforce to provide basic needs and satisfy wants, then desirability and demand suffer, and prosperity wanes.*) Therefore, East Lyme must be intentional in its actions and work to maintain and further provide a stock of well-maintained affordable housing if it wants to retain and attract a qualified workforce, the next generation of property owners, and a social and economic future of vibrancy and prosperity. Otherwise, East Lyme runs the risk of social and economic stagnation or decline.

East Lyme, Why Affordable Housing Now?

This not East Lyme's first Affordable Housing Plan. East Lyme was innovative back in 2009 when it adopted its first Affordable Housing Plan—more than a decade before the State required municipalities to formally plan for affordable housing. This Affordable Housing Plan is the result of the Governor prioritizing Connecticut's need for affordable housing and the State Legislature's passing legislation (PA 17-170 and codified as CGS 8-30j) that requires *every municipality to prepare an affordable housing plan at least once every five years*. Also, the legislation requires that the affordable housing plan *specify how the community intends to increase the amount of affordable housing available in the community*.

To facilitate this prioritization of housing affordability and the requirements to plan for affordable housing, the State Department of Housing awarded the Town of East Lyme a competitive grant to create an affordability plan. That said, it is important to recognize that requirements to plan for affordable housing are not new. Section 8-23 of the Connecticut General Statutes for three decades has required that the municipal plan of conservation and development:

- make provisions for the development of housing opportunities, including opportunities for multifamily dwellings, consistent with soil types, terrain, and infrastructure capacity, for all residents of the municipality and the planning region in which the municipality is located... [and to]
- promote housing choice and economic diversity in housing, including housing for both low- and moderate-income households, and encourage the development of housing which will meet the housing needs identified in the state's consolidated plan for housing and community development...

These longstanding requirements for affordable housing highlight the importance of residential development, housing, and affordable housing in all communities. *Housing is where jobs go at night*. Housing is where individuals and families live their lives. When a community considers land use issues, housing density, style, and tenure all contribute to its physical character and economic wellbeing. Homeownership, and the equity derived from homeownership, have been the foundation to creating American middle-income wealth for generations.

These characteristics of residential development and housing have shaped and contributed to East Lyme and its rural-suburban character. Today, East Lyme's most common land use is single-family residential. Also, 77.9% of East Lyme's housing stock is single-family detached. Only 11.8% of East Lyme's housing stock is multi-family housing (five units or more).

While such high percentages of single-family housing are not uncommon, the overreliance on a single-family housing aimed at homeownership (72.8%) can undermine community resilience, creating a lack of housing diversity that is susceptible to market disturbance and slow-moving changes in consumer preferences. Also, overreliance on single-family housing and homeownership favors middle- and high-income households over households of lesser means, resulting in social, economic, and racial exclusion. This overreliance on single-family housing and homeownership creates challenges for retaining and

attracting a qualified workforce, including young professionals and skilled trades workers. The fact is East Lyme will benefit by planning for greater housing diversity.

Table 1. Housing Units in Structure (2020 Estimates)²

	East Lyme	New London County	Connecticut
Total housing units	8,610	123,849	1,521,199
1-unit detached	6,707 (77.9%)	79,926	897,094
1-unit attached	270 (3.1%)	5,477	85,585
2 units	248	10,235	125,289
3 or 4 units	324	8,044	128,352
5 to 9 units	234	6,455	80,405
10 to 19 units	331	3,893	54,136
20 or more units	453	6,399	137,923
Mobile home	43	3,390	11,943
Boat, RV, van, etc.	0	30	472

What is “Affordable Housing” and What Does “Affordable Housing” Mean?

Too often individuals and communities associate affordable housing with the public housing of decades past. It is important to recognize that affordable housing today is not public housing. Federal, state, and local government learned valuable lessons from the failed policies and experience of past public housing and the negative consequences of clustering large numbers of low-income households into substandard housing. Today, affordable housing policies have moved away from both the public model and clustering. Affordable housing policy today focuses on public-private partnerships and inclusive mixed-income policies to provide much-needed affordable housing. As a result, most affordable housing hides in plain sight, blending into the community, to such an extent that most do not even know the difference between what housing units are market rate and what housing units are qualified affordable.

Housing is deemed unaffordable if a household pays more than 30% of their gross income for housing. For example, if a household earning \$75,000 per year is spending \$22,500 (30% gross income) or more per year (\$1,875/month) on rent/mortgage and utilities, then housing is unaffordable. The median household income for the Norwich-New London MSA is \$78,828 and the median household income for East Lyme is \$96,023. Affordable fair market rental housing in the Norwich-New London MSA, based

² Total housing unit, occupied housing units, and total number of households vary in different sections of this Plan based on U.S. Census source. This is the result of data of only selected portions of the 2020 Decennial Census being released at this time. For example, this table is based on 2020 estimates for total housing units and the breakdown of unit types. If actual 2020 total housing units were inserted here, as such number is use elsewhere in this Plan, it would distort the backdown in this table and the table would not total correctly.

on the Department of Housing and Urban Development (HUD) range from \$833 per month for a studio to \$2,102 per month for a four-bedroom apartment.

The problem of affordable housing in Southeastern Connecticut and East Lyme is more pronounced than most realize. For example, the Southeastern Connecticut Housing Needs Assessment (2018) conducted by the Southeastern Connecticut Council of Governments and the Southeastern Connecticut Housing Alliance found that 37.2% of households in the region and 29.9% of East Lyme's households are cost-

Qualified Vs Naturally Occurring Affordable Housing

Qualified Affordable Housing is a specific statutory phrase to describe housing that meets the State definition of affordable housing regarding the requirements of Section 8-30g, which regulates specific land use applications for providing affordable housing. Just because housing does not meet the statutory definition of Qualified Affordable Housing, does not mean a community does not have housing that is affordable to households of lesser means. Most communities have naturally occurring affordable housing that does not meet the definition of Qualified Affordable Housing but serves populations of lesser financial means.

burdened—paying more than 30% of their income on housing costs. The study also found that 39.7% of renter households in East Lyme are cost-burdened compared to 51.3% of the Region's renters. While East Lyme performs better than region, the number of cost burden households, especially renter households, is a concern.

Qualified affordable housing, as defined by the Connecticut General Statutes (CGS), Chapter 126a Affordable Housing Land Use Appeals, Section 8-30g, is: housing [or households] that receive government assistance or are deed-restricted to be sold or rented at or below prices for which a household pays 30% or less of their income.

Table 2. East Lyme Qualified Affordable Housing

2010 Housing Units	Gov. Assisted	Tenant Rental Assistance	CHFA Mortgages	Deed Restricted	Total Assisted	Percent Affordable
8,456	396 (76%)	19 (4%)	86 (17%)	19 (4%)	520 (100%)	6.15%
8,610	(2020 estimated housing units = 26,721)					6.04%

Qualified affordable housing is different than naturally occurring affordable housing, which is housing that sells or rents at values affordable to households at or below 80% AMI but does not meet the criteria to be included as *qualified affordable housing*, as defined by 8-30g. In most cases, qualified affordable housing developments have 30% or less of the units dedicated as affordable. This low percentage of affordable units in affordable housing developments demonstrates the policy shift away from clustering lower-income households and ensures a mix of incomes to mitigate the potential negative effects of excessive clustering. CGS 8-30g also sets an affordable housing fair share threshold for communities, stating that Connecticut municipalities should maintain at a minimum, 10% of their housing as affordable. In East Lyme, as of 2021, 520 qualified affordable housing units, or 6.15% of East Lyme's 8,456 housing units counted as *qualified affordable housing*.

Overall Residential Patterns

As a rural-suburban community with substantial protected open space (approximately 20%), low-density residential development, and limited public water and public sewer, it is reasonable to anticipate that East Lyme will continue to maintain its current overall land use pattern and predominant low-density rural-residential character north of I-95 and coastal suburban-residential character south of I-95. It is important to maintain this development pattern, as it contributes so much to the *physical, aesthetic, and cultural character* of East Lyme. Most important, the rural-suburban character of East Lyme is highly desirable, an attractive quality to residents, potential residents, businesses, and tourists alike. The current character contributes to East Lyme's charm, vibrancy, and prosperity. However, that does not mean that East Lyme cannot encourage and accommodate higher density, multi-family, and mixed-use development that provides greater housing choice, affordability, and diversity of households.



Zoning for the lower density areas of East Lyme was intentionally designed to reduce density, ensure that new housing blends with the landscape, and protect natural resources—to create the rural-suburban aesthetic. It is reasonable to protect and maintain these areas, development patterns, and character provided East Lyme works to accommodate affordable housing through higher density, multi-family, and mixed-use development in certain and suitable locations within the community.

Changing Demographic Structure and Housing

Connecticut has been a slow-to-no-growth state for three decades. Job growth has been mostly stagnant and population growth has been anemic.³ This lack of statewide economic and demographic growth has resulted in changes to Connecticut's demographics and demographic structure. It is often said that demography is destiny. If that is true, then most communities in Connecticut should be concerned. In Connecticut and East Lyme, the primary outcome of our demographic destiny is that we are aging—growing older. Older populations require more government services, need to be supported by a labor force that is contracting in size proportionally, and resulting in fewer young families with fewer children—further reducing the next generation of our labor force.

³ From 1985 to 1990, Connecticut's total employment increased by 105,700 and nonfarm employment increased by 103,400. By comparison, in the thirty years to follow, from 1990 to 2020 total employment increased by only 130,400 and nonfarm employment increased by only 44,800 (CT Department of Labor, Office of Research, 2021). From 2020 to 2010, Connecticut's population increased by only 1% and New London County's population decreased by 2% (U.S. Census, 2020 Decennial Census).

One of the most notable community concerns related to any proposal for new residential housing development is the impact of new housing on municipal budgets—the potential for new public-school age children generated by new housing units. This fiscal concern results from the fact that funding for the local Board of Education makes up the largest portion of any municipal budget—typically between 50% and 70% of the total municipal budget. In East Lyme, the Board of Education budget represents approximately 67% of the total municipal budget. However, and unfortunately, assumptions related to the number of public school-age children generated by new housing units are often higher than the actual number of school district enrollments that result from new housing. For example, it is not uncommon for persons or commissions to assume that each new housing unit produces one, two, or even more school district enrollments. These assumptions result from past experiences, memories of prior generations, and failure to understand that the same social-cultural forces that are contributing to the disruption of retail are also disrupting our communities, government services, and school district enrollments.

Changes in demographics and generational changes to lifestyle are resulting in fewer family households and fewer school age children. For example, some simple calculations can dispel the myth of one or more school enrollments per housing unit. Statewide, Connecticut has 513,615 children enrolled in public schools and 1,418,069,437 households. Divide statewide enrollments (513,615) by households (1,418,069) and number of public-school district enrollments equals 0.362 enrollments per household. The same calculation can be applied to East Lyme. East Lyme has 7,361 households (occupied housing units) and 2,644 school enrollments ($2,644 / 7,361$) or 0.359 school district enrollments per household. Enrollments of 0.36 per household statewide and 0.36 per household in East Lyme are well below the one or more enrollments per new housing units that is commonly assumed.

Statewide, and in many Connecticut communities, school district enrollments have been declining for over a decade. For example, in 2007 statewide enrollments were 574,848 compared to 513,615 in 2021 (a loss of 61,769 statewide school district enrollments). East Lyme's school district enrollments peaked in 2007 at 3,269 enrollments, compared to 2,644 in 2021 (a loss of 625 school district enrollments or a 21% decline) over 15 years. This decline in enrollments is further supported by East Lyme's loss of 12% of its under 18-year-old population from 2010 to 2020, according to the U.S. Census.

The disconnect between perceived enrollments from new housing and actual enrollments, should cause us to pause, think, and stop opposing housing based on the potential of new school district enrollments. The fact is the demographic structure of our population has changed and the chances of returning to the higher enrollments of the past are little to none.

Demographics and Demographic Structure

School enrollments are not driven by housing—as seen in the data discussed above. School enrollments are driven more by demographics and demographic structure than housing. Housing units (and the number of bedrooms within housing units) are simply vessels that can and may house school-age children—but there is no guarantee they will house children or generate school enrollments. Demographics and demographic structure as the driver of school-age children and school district enrollments, informs us that as a population grows older, the number of births (the total fertility rate) and a resultant number of children decrease. A decreasing number of children overall typically results in

declining school district enrollments. Declining fertility rates are the primary driver of low and declining school district enrollments. This is the very reason why East Lyme's school district enrollments are declining.

The total fertility rate is the average number of children that would be borne by a woman if all women lived to the end of their childbearing years. Since only women have children, and since all women do not live to the end of their childbearing years, the replacement level of the total fertility rate is between 2.1 and 2.3 (births per women) to maintain a stable population—higher rates result in population growth and lower rates result in population decline. Another way of understanding this is to understand how the fertility rate relates to the death rate. The equation for population growth (not including migration) is births minus deaths equals the rate of natural increase. If births are higher than deaths, the population grows. If births are lower than deaths, the population declines. Table 4. below shows how the fertility rate translates deaths to births. Note that the United States fertility rate is 1.64 and Connecticut's fertility rate is 1.51—well below replacement rates. That means, in Connecticut, 27 fewer persons are born for every 100 persons who die. Excluding migration, given enough time at a 1.51 fertility rate, Connecticut's population would decline to zero.

Table 3. Total Fertility Rate – Connecticut and United States by Years 2008-2020

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CT	1.88	1.80	1.72	1.71	1.66	1.63	1.63	1.63	1.63	1.59	1.57	1.54	1.51
US	2.08	2.00	1.93	1.89	1.88	1.86	1.86	1.84	1.82	1.77	1.73	1.71	1.64

Declining fertility rates, nationally and in Connecticut, are not simply the result of an aging population. Declining fertility rates are also tied to, and the result of, increased economic opportunity (wealth), greater education, and the associated changes in social-cultural behaviors that come with wealth and education. Most importantly, these structural changes in our demographics can be traced across generations. For example, if you are of the Baby-Boom generation (born between 1946 and 1964), you likely have more siblings than you have children. It is also more likely, as a Baby Boomer, you moved out of your parent's home, got married, and had your first child at a younger age than those in Generation X (born between 1965 and 1980) and the Millennial Generation (born between 1981 and 1996). These slow-moving changes in the way we live and behave are often hard to notice in real-time. However, by studying demographics and social behaviors over time (generation by generation), the changes become noticeable, and their collective impacts can be profound. These changes (and other demographic and social changes) are why school district enrollments have been declining statewide for over a decade and why East Lyme's enrollments declined by 21% since 2007.

Table 4. Median Age

	USA	CT	East Lyme
2020	38.3	40.6	47.4
2010	37.2	40.0	43.6
2000	35.3	37.4	39.0

East Lyme is an aging community. In 2000, East Lyme's median age was 39, in 2020 the median age increased to 47.4—well above the national and state median age (Table 4). Communities age when job and population growth stagnate. Therefore, most communities in Connecticut and the State are aging. For East Lyme, this aging phenomenon is likely intensified by vacation homes and retirees moving to

said homes. In short, older populations have fewer children, resulting in fewer school enrollments. Also, older households spend less on goods and services, and less in retail establishments—reducing the economic vibrancy of a community.

East Lyme's demographic structure has been transformed by the increasing age of the population. Also, changes in demographics and socioeconomics have transformed household structure. For example, in 1960 only 13.0% of housing units in the United States were occupied by 1-person households. Today, 28% of our nation's housing stock is occupied by 1-person households. As of 2020, 26.7% of East Lyme's occupied housing stock was occupied by 1-person households. Also, 44.4% of East Lyme's renter-occupied housing units were 1-person households—that means that 44.4% of rental housing in East Lyme is not producing any school district enrollments.

Another important change can be seen in married-couple households with children (under the age of 18). In the United States, from 1970 to 2012, the percent of married-couple households with children declined from 40.3% to 19.6%. East Lyme is similar. Households with one or more persons under the age 18 total only 26.1% of all households. These changes in household structure result from both an aging population and social-cultural trends. Today, compared to the decades and generations before, we marry later, marry less, and have fewer children. This explains why East Lyme's school district enrollments have declined substantially. In addition, the large percentage of one-person households, especially renter households, informs us of the growing challenges of housing affordability, in that there is an increasing number of one-income households, when much of our housing stock was built and priced for the dual income households of past generations.

The Impact of Multi-Family and Affordable Housing on Property Values

Concerns over the potential of negative impacts of new residential development, especially negative impacts on property values, are common in planning and the land use approval process. One of the foundational concepts of zoning in the original Zoning Enabling Act (1922) is that “such regulations shall be made with reasonable consideration...to the character of the district...with a view to conserving the value of buildings.” The concept of *a view to conserving the value of buildings* needs to be contextualized to the time when it was written and the problems that zoning was designed to solve. The 1920's context was the harsh conditions of the industrial city and the lack of regulatory provisions to deal with incompatible uses and the negative consequences of proximity. In addition to the *character of the district* and *conserving the value of buildings*, zoning was intended to protect us from *fire, panic, and other dangers*, conditions that no longer threaten us in the ways they did in the 1920's industrial city. Simply stated, zoning (along with other policies and regulations) has successfully solved the problem of the industrial city and has created stability and predictability in real property markets. Therefore, today, how we need to conceptualize *the character of the district* and *conserving the value of buildings* has changed. That is, the dissimilarity in uses has been greatly reduced. Also, the negative impacts on the proximate property have been mostly reduced to the most undesirable land uses. For example, undesirable land uses such as airports, landfills, superfund sites, etc., and their impact on residential and other nearby uses have been extensively studied and documented as having potentially negative impacts on adjacent and proximate property values.



However, such concerns and claims of the negative impact created by other less noxious and dissimilar uses have persisted, especially concerns regarding multi-family and affordable housing development adjacent and proximate to existing residential properties. It is even not uncommon to hear claims that new single-family residential development will negatively impact the value of existing single-family residential properties.

Fortunately, such concerns and claims have led to academic and industry research on the impacts of new development on existing residential property values. Most importantly, the abundance of academic research has shown that such claims are not substantiated.

For example, a notable and comprehensive longitudinal study by the MIT Center for Real Estate, *Effects of Mixed-Income, Multi-Family Rental Housing Developments on Single-Family Housing Values* (2005), of seven high-density affordable housing developments adjacent to medium- and low-density single-family residential areas in six communities spread across Metropolitan Boston. The researchers stated that the findings “in all seven case study towns lead us to conclude that the introduction of larger-scale, high-density, mixed-income rental developments in single-family neighborhoods *does not* affect the value of surrounding homes. The fear of potential asset-value loss amongst suburban homeowners is misplaced.” A study by Harvard’s Joint Center for Housing Studies, *The Vitality of America’s Working Communities* (2003), found that apartments posed no threat to surrounding single-family house values.

The findings of the MIT and Harvard studies are further substantiated in a recent study by Kem C. Gardner Policy Institute at the University of Utah. The study, *The Impact of High-Density Apartments on Surrounding Single-Family Home Values in Suburban Salt Lake County* (2021), analyzed the construction of 7,754 units between 2010 and 2018 and the impact of these multi-family rental developments on single-family home values within a half-mile of the new apartments. The researchers found:



...apartments built between 2010 and 2018 have not reduced single-family home values in suburban Salt Lake County [...] However, denser development continues to be a politically controversial topic on city council agendas as existing residents often bring up negative impacts on home values. Single-family homes located within 1/2 mile of a newly constructed apartment building experienced higher overall price appreciation than those homes farther away.

Overall, academic research shows that multi-family development, which is most often of a higher density than single-family residential development, either has no impact or a positive impact on adjacent and proximate single-family residential property values. For example, a study by the University of Washington, *Denser Development is Good for Single-Family Home Values* (2012), found single-family home values increase when located near denser development.

The National Association of Homebuilders, *Market Outlook: Confronting the Myths about Apartments with Facts* (2001), found that single-family residential property values within 300 feet of multi-family rental housing increased by 2.9%. Researchers at Virginia Tech University, in a study titled *Price Effects of Apartments on Nearby Single-Family Detached Residential Homes* (2003) concluded, multi-family rentals that were well-designed, attractive, and well-landscaped, increased the value of nearby single-family residential housing. What was most interesting about the Virginia Tech study, as explained by Eskic (2021), were the researchers three possible reasons to explain their findings:

1. new construction serves as a potential indicator of positive economic growth;
2. new apartments increase the pool of future homebuyers for current homeowners; and
3. apartments with mixed-use development often increase the attractiveness of nearby communities as they provide more housing and amenity choices.

These three possible explanations are important. They highlight the importance of continuous investment in a community, providing a modern, diverse, and competitive housing stock—the positive economic growth, the need to attract newcomers to the community to create a pool of future homebuyers, and the amenity value of diverse housing stock that offers housing alternatives for other residents already in the community—retaining young adults and empty-nesters who seek to remain in the community but need and want housing other than larger single-family homes.

While claims of negative property impacts are likely to persist in the local land use approval process, the unbiased academic research is clear in its findings, *apartments posed no threat to surrounding single-family house values and the fear of potential asset-value loss among suburban homeowners is misplaced*. This is important for East Lyme, especially the land use boards and commissions, to understand and embrace. New housing development, including multi-family and affordable housing, when well designed and aesthetically pleasing, does not negatively impact the value of adjacent and nearby housing.

Finding Balance – Housing, Flood Hazards, and Coastal Area Management

In land-use planning, especially in the land use application process, it is all too common for environmental issues to be pitted against social or economic issues. This either-or perspective creates tension, misses the bigger picture, and often creates more harm, at the expense of others.

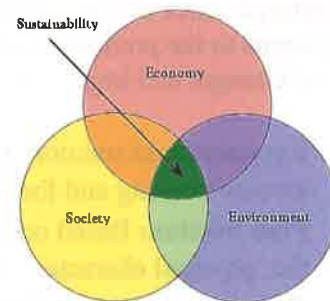
East Lyme's comprehensive Coastal Resilience, Climate Adaptation, and Sustainability Study (2018), the 2020 Niantic River Watershed Protection Plan, and robust Flood Hazard and Coastal Area Management provisions in the in the Plan of Conservation and Development (2020) and Zoning Regulations (2022). Most important, such regulatory provisions meet or exceed the requirements of state and federal law. Simply put, East Lyme has done and continues to do what is needed and required of a coastal community to evaluate, plan, and regulate the conditions associated with sea-level rise and coastal flooding.

Sea level rise and coastal flooding are real issues and reasonable concerns, especially in the context of new development in coastal areas. Therefore, the challenge for East Lyme is to continuously work toward finding the right balance between economic, environmental, and social issues and goals. Striking such a balance is the essence of sustainability. For example, the United Nations, World Commission on the Environment and Development (Brundtland Report, 1987), explains:

Sustainable development is 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.

While environmental concerns need to be considered as part of development proposals in coastal areas, said concerns should not favor the environment over economic and social issues or goals. Nor should environmental concerns be used as impediments to deter or prevent development, especially housing and affordable housing that are of equal importance as a social (and economic) need of society.

Finding the balance between economic, environmental, and social goals, means that East Lyme and its land-use commission *must* trust in the governing regulations to guide and direct the decision-making process. Applications that comply with flood zone and coastal area management regulatory requirements must be approved. Decision-makers must resist the temptations of speculative considerations and projections of yet-to-be-realized future conditions that color the merit of the application and reasonableness of the regulations in place at this moment in time.



The East Lyme Housing Study

To produce the East Lyme Affordable Housing Plan, an extensive housing study was conducted to assess the local and regional housing market, determine affordable housing needs, identify impediments to housing and affordable housing, and identify potential strategies that East Lyme could implement to promote, encourage, and provide for *qualified affordable housing*. In doing so, the study reviewed and gave due consideration to state and regional planning efforts by reviewing and considering the State of Connecticut 2020-24 *Consolidated Plan for Housing and Community Development*, the Southeastern Connecticut Council of Governments (SCCOG) 2017 *Regional Plan of Conservation and Development*, the SCCOG 2018 *Southeastern Connecticut Housing Needs Assessment*, and the State of Connecticut 2018-2023 *Conservation & Development Policies: The Plan for Connecticut*. Also, past studies by the Town of East Lyme were reviewed, and the most recent East Lyme Plan of Conservation and Development (2020) and current Zoning Regulations were also reviewed and considered. Most important, material from East Lyme's 2009 Affordable Housing Plan was incorporated into this Affordable Housing Plan, including specific recommendations.

This comprehensive housing study resulted in four reports that provided the foundation for this Affordable Housing Plan and are considered as part of this Plan. The reports include the following reports:

- Understanding Housing Markets and Affordable Housing – Presentation June 2022
- Recommended Modifications to the Zoning Regulation – July 2022
- Housing Analysis and Needs Assessment – August 2022
- Housing and Affordable Housing Incentives Assessment – August 2022
- Neighboring Town Demographic Comparison – September 2022

In addition to conducting these studies and issuing these reports, Subcommittee meetings were conducted monthly from June through November 2022 with the Affordable Housing Plan Steering Committee who advised the process of creating the Affordable Housing Plan. As part of the public engagement, [to be added] The following are short summaries of the some of the study findings that were produced as part of this Plan.

Recommended Modifications to Land Use Regulations – Summary

The comprehensive review of the Zoning Regulations identified provisions that likely create impediments to the production of housing and affordable housing in East Lyme. The impediments and potential changes and improvements included:

- **Purpose:** Add statutory language regarding providing for multi-family and low- and moderate-income housing and for zoning to ‘affirmatively forward fair housing.’⁴
- **Plan Section:** Based on recent statutory changes regarding character, add language describing the ‘physical character’ of each zoning district.
- **Definitions:** Add a definition for affordable housing—should be in accordance with 8-30g language for *qualified affordable housing*.
- **Accessory Apartments:** Consider allowing Accessory Dwellings and providing an Accessory Dwelling provision to guide their utilization.
- **Missing Middle Housing:** Consider removing the increased required lot size for two-family dwellings.
- **Mixed Use Dwellings:** Consider removing the increased lot size and per bedroom increase in lot size provisions.
- **Mixed Use Dwellings (GPDD):** Consider allowing stand-alone multi-family developments or residential units on the same site as commercial development—removing the residential above commercial provisions.
- **Attached (multi-family) Housing Regulation:** Reduce the required minimum lot size and increase height (number of stories) allowed to encourage higher density multi-family development in more locations.

⁴ Affirmatively forward fair means that zoning must do more than simply not discriminate, zoning must take meaningful action to overcome patters of segregation and foster an inclusive community.

- **Parking Requirements- Multi-Family:** Consider changing the required parking for multi-family units to simply 1.5 or 1.75 spaces per unit, regardless of unit bedroom mix and eliminate the required visitor parking.
- **Minimum Residential Standards:** In accordance with State law (PA 21-29),⁵ remove the minimum residential unit size provisions throughout the Regulations and consider removing the requirement for multi-family and multi-story dwellings to be equipped with elevators.
- **Conservation Design Development:** Consider a provision that would allow 30% or more of the units in such a development to be duplex or semi-attached units.

Housing Needs Assessment – Summary

The tables below provide a summary of findings from the affordable housing needs assessment that calculated the need (demand) for affordable housing. Table 5 addressed owner-occupied housing and Table 6 addresses renter-occupied housing. To accomplish this, the needs assessment compares the number of housing units available to the number of households in specific income cohorts.

- The negative values (in red) indicate where there are *fewer housing units available* than there are households that need housing affordable at the respective income level.
- The positive value indicates where there are more housing units available than there are households that need housing affordable at the respective income level.

Table 5. Households by Income Compared to Existing Owner-Occupied Housing Stock by Value

Household Income	<\$15,000	\$15,000-\$24,999	\$25,000-\$34,999	\$35,000-\$49,999	\$50,000-\$74,999	\$75,000-\$99,999	\$100,000-\$149,999	\$150,000+
Households @ Income	205	252	155	323	809	489	1,264	1,863
Est. affordable home Value (HH Income x 2.8) (rounded)	\$42,000	\$70,000	\$98,000	\$140,000	\$210,000	\$280,000	\$420,000	\$560,000
Existing Housing Units	68	7	58	58	349	1,885	2,201	734
Households w/Adequate Income	205	252	155	323	809	489	1,264	1,863
Units Available Vs Adequate Income	-137	-245	-97	-265	-460	1,396	937	-1,129

⁵ PA 21-29 implemented many comprehensive reforms to the State Zoning Enabling Legislation with the aim to reduce to create greater opportunities for housing to be constructed in Connecticut. This include provisions addressing accessory dwelling units (ADU), permitting fees, parking requirements, and other provisions of zoning that were viewed to conflict with the State objective to increase housing and affordable housing.

Table 6. Households by Income Compared to Existing (Rental) Housing Stock by Value

Household Income	Less than \$15,000	\$15,000- \$24,999	\$25,000- \$34,999	\$35,000- \$49,999	\$50,000- \$74,999	\$75,000- \$99,999	\$100,000- \$149,999	\$150,000 or more
Households @ Income	198	129	216	395	218	347	260	165
Est. affordable monthly rent Value (HH Income x 0.30)	\$375	\$625	\$875	\$1,250	\$1,875	\$2,500	\$3,750	\$3,750+
Existing Housing (Household)	22	129	289	788	454	210	45	0
Units	(11.5%)	(34.4%)	(31.5%)	(13.9%)	(3.9%)	(2.0%)	(2.7%)	(0%)
Households w/Adequate Income	198	202	216	395	218	347	260	165
Units Available Vs Adequate Income	-176	-73	73	393	236	-137	-215	-165

The findings of the housing needs assessment are as follow:

- **Owner-Occupied Housing:** Below household incomes of \$74,999 is where the greatest need for owner-occupied housing—demand outpaces supply, demonstrating housing affordability need.
- **Renter-Occupied:** Below household incomes of \$24,999 is where the greatest need for renter-occupied housing—demand outpaces supply, demonstrating housing affordability need.
- **Overall Finding:** It is very challenging to address owner-occupied affordability—the cost to construct single-family and duplex housing typically exceeds the capabilities of lower income households—even when subsidies are provided. Therefore, it is best to focus on rental housing at or below incomes of \$75,000.
- **Additional Finding and Consideration:** The greatest need for affordable housing is at incomes below \$15,000 (approximately 20% AMI). At incomes below the poverty level (approximately 30% AMI), affordable housing cannot be addressed simply through the removal of impediments in the local land use, regulatory, and permitting system. Addressing this market segment requires intentional and specific government interventions. This is where Federal and State interventions, such as voucher programs and Low Income Housing Tax Credits (LIHTC) are needed.

Housing and Affordable Housing Incentive Programs – Summary

The exploration and review of potential housing incentive tools and programs that the Town of East Lyme could employ to proactively encourage and provide affordable housing revealed several opportunities and viable approaches to intervene in the affordable housing market. The following is a summary of the tools and programs that could be implemented in East Lyme.

- **Density and Density Bonuses:** Implementing the recommended zoning regulation changes aimed at removing impediments to affordable housing. This includes two additional recommendations beyond those discussed above:
 - Create an Affordable Housing Overlay Zone for areas served by public water and sewer.

- Create an Affordable Housing or Inclusionary provision that is applied to all residential zones and development over 10 units. For example, a minimum of 5% or 10% qualified affordable for single-family and 10% or 15% for qualified affordable for multi-family.
- This provision could include a fee-in-lieu-of affordable housing provision to provide funding for the Housing Trust Fund.
- **Efficient Permitting:** Create a more efficient permitting process. Specifically, reduce overreliance on special permit uses for multi-family residential and mixed-use developments.
- **Property Tax Abatements:** Allow and grant tax abatements for affordable housing developments.
- **Housing Trust Fund:** Create an affordable housing trust fund to raise and capture funding to aid in the development of affordable housing and target the funds and support for affordable housing that serves households at or below 50% median income (i.e., supportive housing).

The East Lyme Affordable Housing Strategy

This section is the Affordable Housing Strategy—the specific policies, programs, and strategies to implement to encourage and provide more *Qualified Affordable Housing* in the town of East Lyme. It is important to recognize, it is not enough to simply adopt this plan and implement the recommended strategies. Encouraging and providing affordable housing is challenging and difficult work. It is easy to lose momentum and the political will required to achieve the desired outcomes of inclusion and investment. Therefore, East Lyme must embrace this plan, the need for affordable housing, and the desired outcome as a new philosophy of improvement, inclusion, and betterment for the community. This requires a constancy of purpose to implement the plan and achieve the desired outcomes. East Lyme must work, continuously and passionately to provide affordable housing.

East Lyme's Guiding Principles for Affordable Housing

The following are a set of guiding principles that frame East Lyme's Affordable Housing Plan:

- **Protect and preserve – do no harm:** East Lyme will maintain the physical, aesthetic, and cultural character of the community by maintaining the rural-suburban residential development patterns of the community.
- **Focus on the needs of East Lyme residents and employees, with a view toward regional need.** East Lyme will seek to provide a housing stock that meets the needs of the community, as determined in the housing needs assessment. In doing so, East Lyme recognizes it does not exist in a vacuum and is part of a regional housing market—a market where East Lyme already outperforms its neighboring community in the amount/percent of qualified affordable housing provided.
- **Focus on redevelopment.** East Lyme will encourage and utilize multi-family housing and affordable housing as means to reposition older commercial areas to compete for investment. This includes areas with the public infrastructures available to support greater density.

- **A balanced and sustainable approach to housing.** East Lyme will encourage and support development opportunities that can and will strike a balance between economic, social, and environmental concerns.
- **Fair housing.** East Lyme, through its planning and zoning efforts will affirmatively forward fair housing.

Removing Regulatory Impediments – Recommended Modifications of Land Use Regulations

The following are specific recommendations for modifications and improvements to the East Lyme Zoning Regulations aimed at removing impediments to housing, investment, and the creation of affordable housing. These recommendations are derived from *Recommended Modifications to the Zoning Regulations* report (See Appendix). By implementing such changes, East Lyme can create a more predictable land-use system, ensure greater confidence in housing developers and investors, and encourage greater investment, in the form of infill development, redevelopment, and new development within the areas of the community that can accommodate development and best serve the needs moderate- and lower-income household in East Lyme and the region.

It should be noted that East Lyme’s zoning regulations are comparatively much better than most zoning regulations in terms of encouraging housing and affordable housing. In fact, there are very few provision that are impediments housing and affordable housing. Therefore, the recommendations below are aimed at creating improvement—to better encourage and allow housing and affordable housing.

Zoning Purpose Section:

- The Purpose section of the Zoning Regulations does not include the statutory language regarding providing for multi-family and low- and moderate-income housing or the recent statutory language on “affirmatively forwarding fair housing.” The Zoning Commission should amend the Regulations to include such language.

Zoning (District) Plan:

- The Plan section of the Zoning Regulations references the character of districts. Due to recent changes in statutory language, the regulations must describe the *physical character* of each district if physical is to be used as means of deciding the merits of an application. Therefore, the Zoning Commission should add language describing the physical character of each zoning district.

Zoning Definitions:

- The Zoning Regulations do not define affordable housing. The Zoning Commission should define affordable housing based on the 8-30g definition of *qualified affordable housing*.

Zoning Accessory Apartments:

- Accessory apartments provide a simple, low-cost, and low-risk means to diversify the housing stock, increase the amount of rental product, and provide a form of housing that is often more affordable—market rate affordable. The Zoning Commission should amend the

Zoning Regulations to allow for Accessory Dwellings and provide an Accessory Dwelling provision to guide their utilization.

Missing Middle Housing:

- Compared to most communities, East Lyme has an ample amount of missing-middle housing and continues to allow such housing. Unfortunately, the provisions requiring increased lot size for two-family dwellings creates a physical and financial barrier to producing such housing. The Zoning Commission should remove this increased lot size provision.

Mixed Use Dwellings:

- The provision allowing mixed-use dwellings in commercial zones is positive. However, the related provision requiring increased lot size for such units, and the increased lot size per bedroom create impediments to housing being produced and the affordability of said housing. The Zoning Commission should remove the increase lot size and per bedroom increase lot size provisions.

Mixed Use Dwellings (GPDD):

- Allowing mixed-use dwelling GPDD is very good and positive. Unfortunately, the provision requiring such units above offices or businesses and prohibiting stand-alone residential units are impediments to housing. The Zoning Commission should remove these provisions.

Parking Requirements – Multi-Family:

- The multi-family parking requirements, by today's standards and need, are excessive and create an impediment to housing and affordable housing. The Zoning Commission should reduce the required parking for multi-family units to 1.5 or 1.75 spaces per unit and not require additional visitor parking.

Minimum Residential Unit Size Provisions:

- The various provisions for Minimum Residential Standards are highly restrictive, conflict with market trends, and artificially inflate housing cost. In addition, based on prior case law and recent changes to zoning law (see Public Act 21-29), and illegal. The Zoning Commission should remove such provisions and the provision that requires all multi-family, multi-story dwellings to be equipped with elevators.

Conservation Design Development:

- The utilization of duplex and tri-plex units has become more common in recent years in lower density developments and subdivision. In addition, so long as the number of bedrooms does not exceed 16, multiple units can exist on single septic system and not be considered a community system. This created opportunities for missing-middle housing and adding density to conservation developments. The Zoning Commission should consider a provision that would allow 20% or more of the units in a Conservation Design Development to be duplex units.

Providing Incentives – Housing and Affordable Housing Incentive Programs

The following are specific recommendations for incentives to create housing and affordable housing in East Lyme. These recommendations are derived from *Housing and Affordable Housing Incentive Programs* report. By implementing such incentives, East Lyme can and will proactively intervene in the housing market by providing resources that can mitigate the fiscal barriers to housing and affordable housing productions.

Density and Density Bonuses:

- Density bonuses are regulatory (zoning) incentives that allow land to be developed at a higher density than is allowed by zoning. The increased density (or greater housing unit yield) allows for the cost of land to be spread over more units, effectively reducing the per unit land costs and the total per unit housing cost. The Zoning Commission should implement the recommendations of the *Review and Analysis: Recommended Modifications to the Zoning Regulations* report (discussed above), as each of those recommendations will help to increase housing diversity, supply, opportunity, and improving affordability. In addition, the Zoning Commission should create an Affordable Housing Overlay Zone for areas served by public water and public sewer that allows multi-family (including mixed-use developments) housing in accordance with CGS 8-30g *qualified affordable housing* for household at or below incomes of 80% AMI). Such a regulation should include an inclusionary provision that is applied to all residential zones and development over 10 units. For example, a minimum of 5% or 10% qualified affordable for single-family and 10% or 15% for qualified affordable for multi-family. Such provision should include density bonuses.

Efficient Permitting – Swift, Simple, and Certain:

- The recommendations in *Review and Analysis: Recommended Modifications to the Zoning Regulations* report focuses on creating a swift, simple, and certain land use approval process. The greater certainty and predictability that can be provided in the land use approval process, the more likely housing will be built, including affordable housing. The Zoning Commission should continuously seek to maintain and improve an efficient permitting process.

Property Tax Abatement:

- Local property taxes contribute to operating expenses/costs of multi-family and mixed-use developments. Therefore, the granting of a tax abatement has become a strategy to reduce costs, increase returns, and to assist housing developments that otherwise would not be financially feasible—would not get built, contribute to the grand list, or pay taxes. Recognizing that tax abatements are controversial public policy actions, East Lyme should engage in further discussion, study, and consideration as to utilization of CGS 12-65b (Agreements between municipality and owner...of real property...fixing the

assessment of such property...) as a policy tool to incentivize multi-family housing, mixed-use development, and affordable housing.

Housing Trust Fund:

- A Housing Trust Fund (in accordance with the Connecticut General Statutes, Chapter 98, Section 7-148(c)(2)(K)) is an innovative tool to raise funds for affordable. Most important, when paired with an inclusionary zoning provision (CGS 8-2i. Inclusionary Zoning), a Housing Trust Fund can be a powerful tool for incentivizing and producing affordable housing—including the use of a fee-in-lieu of open space. East Lyme should create an Affordable Housing Trust Fund. In doing so, East Lyme should consider targeting the funds raised in the Affordable Housing Trust Fund at affordable housing for households at or below 50% AMI. Households at incomes at or below 50% AMI is where there is the greatest need for affordable housing. The following are some considerations for the creation of an Affordable Housing Trust Fund:
 - Pair the Trust Fund with an *inclusionary zoning provision* that requires a fee-in-lieu of affordable housing for all housing developments of 10 units or more that do not provide affordable housing units.
 - Designate an Affordable Housing Advisory Committee to oversee and administer the fund.
 - Promote the fund for tax deductible donations, including hosting fundraiser events and drives. (Under the IRS code Section 170(c)(1) contributions to a state or a political subdivision "made for exclusively public purposes" qualify as a tax-deductible charitable donation.)

Implementation Schedule

Implementation of this Plan is a gradual and continual process—a continuous process of working towards improvement through achieving the goals and objectives of this Plan. While some recommendations can be carried out in a relatively short period, others may only be realized towards the end of the plan implementation period, and some may be even more long-term in nature. Furthermore, since some recommendations may involve additional study or a commitment of fiscal resources, their implementation may take place over several years or occur in stages or phases.

The following chart identifies the specific strategy, the agency responsible, and the recommended priority for implementation. In many instances, the responsibilities are shared by more than one agency. The Planning Commission is included as a entity that can assist in crafting the policies. ‘

Affordable Housing Plan			
Strategies	ZC	PC	BOS
Zoning Purpose			
Zoning Plan			
Zoning Definitions			
Accessory Apartments			
Missing Middle Housing			
Mixed Use Dwellings			
Mixed Use Dwellings (GPDD)			
Minimum Residential Unit Size			
Parking Requirements – Multi-Family			
Conservation Design Development			
Efficient Permitting & Permitted Uses			
Inclusionary Zoning			
Property Tax Abatement			
Housing Trust Fund			

Implementation Schedule Legend

Agency	Abbreviation
Zoning Commission	ZC
Planning Commission	PC
Board of Selectmen	BOS

Priority	
High	Year 1
Medium	Years 2 to 3
Low	Years 4 to 5

Town of East Lyme, Connecticut

Planning Commission

Affordable Housing Plan



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ADVISORY SERVICES

**Understanding Housing Markets and Affordable Housing:
Economics and Financial Feasibility**

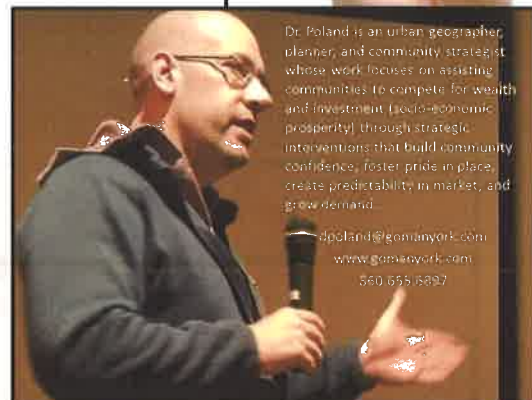
June 20, 2022

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





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Affordable Housing Overview

East Lyme: Understanding Affordable Housing

East Lyme, Why Affordable Housing Now?

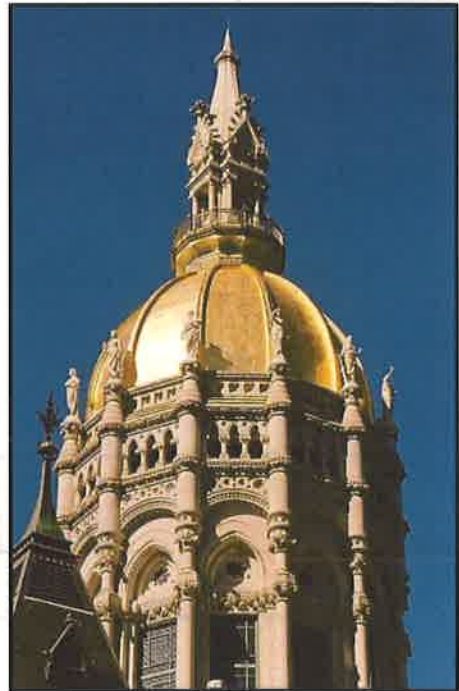
Governor Lamont and the State Legislature have made affordable housing a priority.

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...



East Lyme: Understanding Affordable Housing

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

East Lyme: Understanding Affordable Housing

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



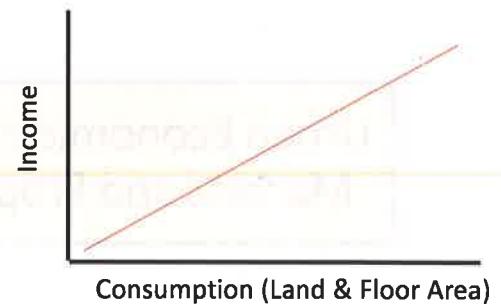
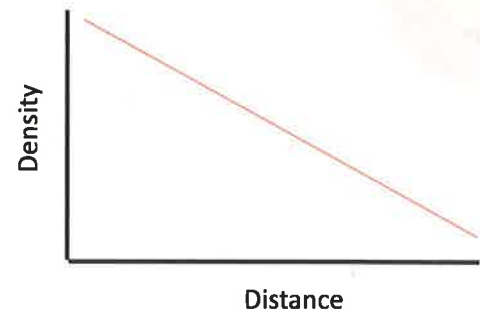
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Urban Economics: The Spatial Organization of Housing Markets and Property Value in Metropolitan Regions

East Lyme: Understanding Affordable Housing

Spatial & Economic Organization of Urban Space

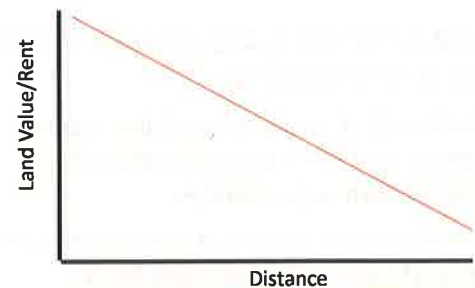
- **Density:** highest at the center (urban core) and lowest at periphery (rural fringe). East Lyme is a *(sub)urban core* community.
- **Income:** as income increases, land consumption and floor area consumption increase.
 - Wealthy households typically consume more land and more floor area than households 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



East Lyme: Understanding Affordable Housing

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.



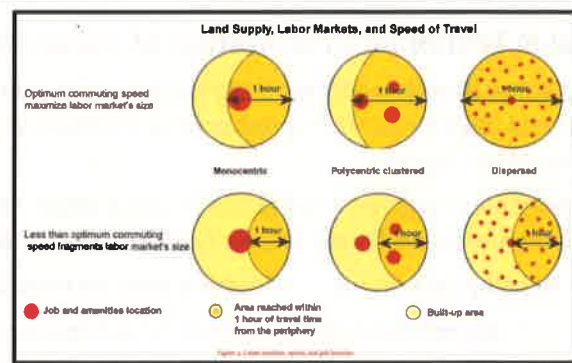
Comparable Home Value by Location

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

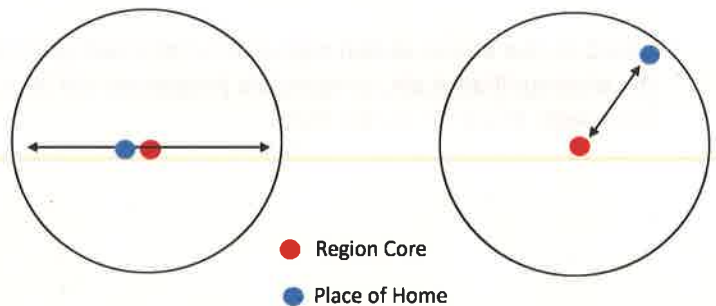
East Lyme: Understanding Affordable Housing

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)



East Lyme: Understanding Affordable Housing

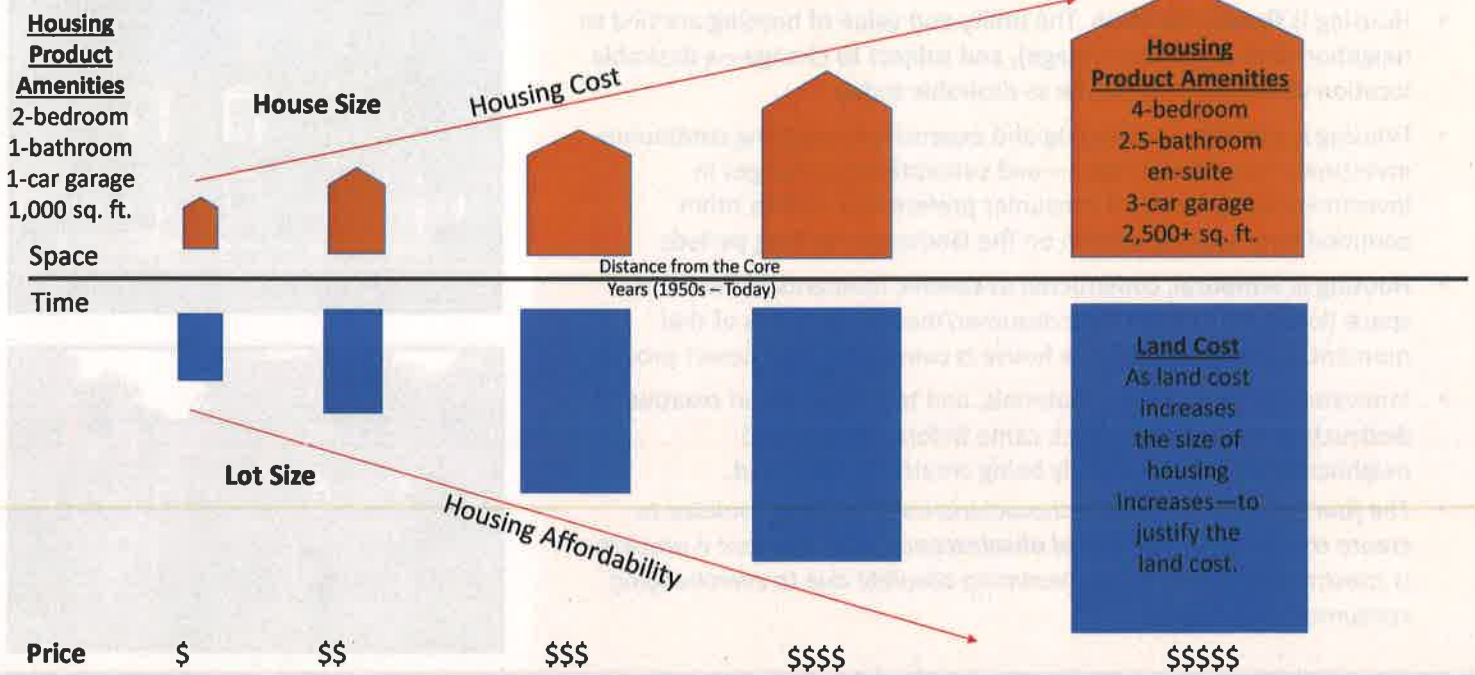
Housing as a Commodity

- 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.*



East Lyme: Understanding Affordable Housing

Spatial & Temporal Outcome of Housing as a Commodity





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Defining Affordable Housing

East Lyme: Understanding 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

East Lyme: Understanding Affordable Housing

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.

East Lyme: Understanding Affordable Housing

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. Divided by (2.6 to 3.0) = \$121,961 to \$105,700.

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

East Lyme: Understanding Affordable Housing

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.



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PLANNING AND DESIGN

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

East Lyme: Understanding Affordable Housing

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.

East Lyme: Understanding Affordable Housing

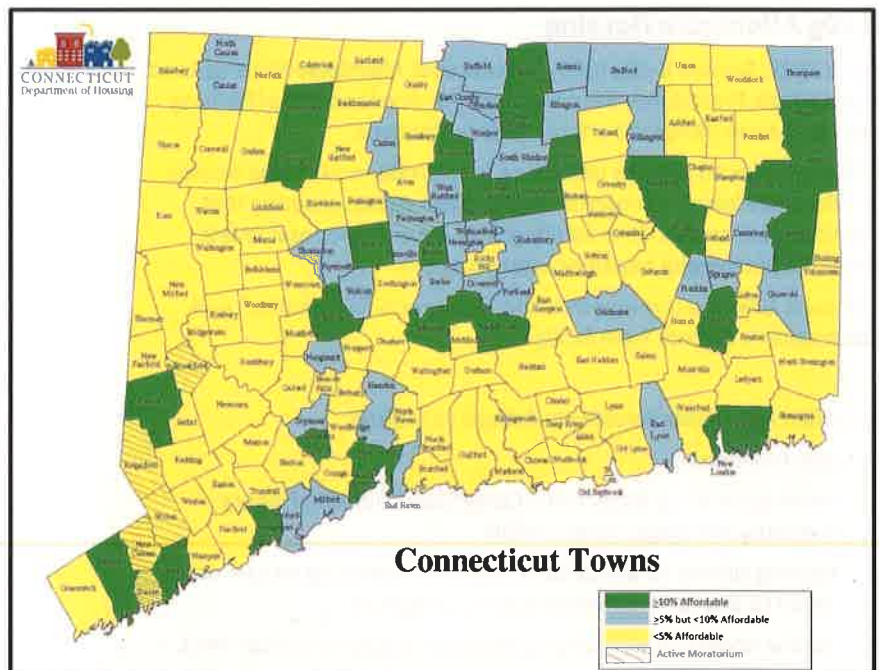
8-30g Qualified Affordable Housing by Municipality

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%



East Lyme: Understanding Affordable Housing

Constraints to Multi-Family Housing

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

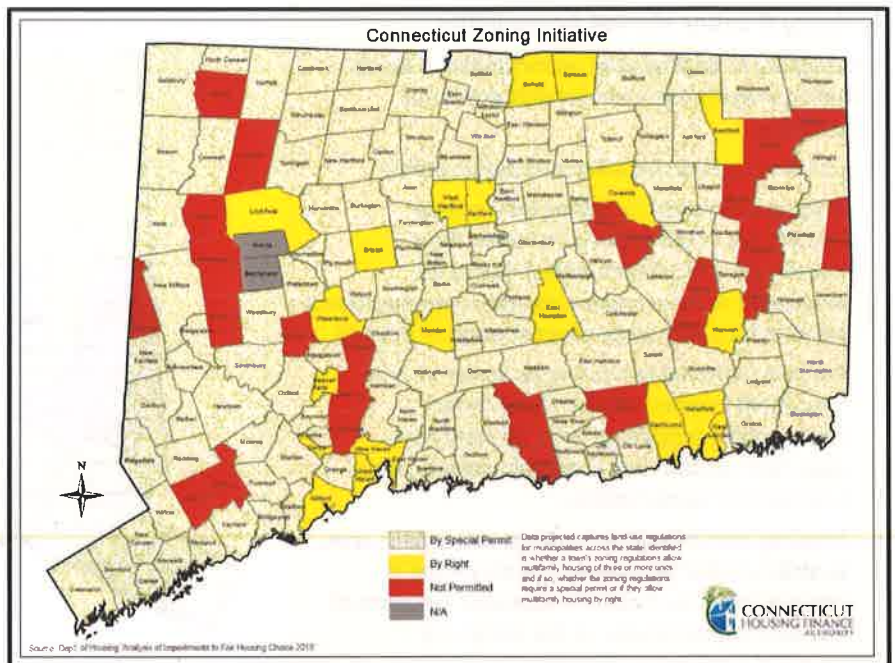
Yellow = as-of-right (site plan)

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.



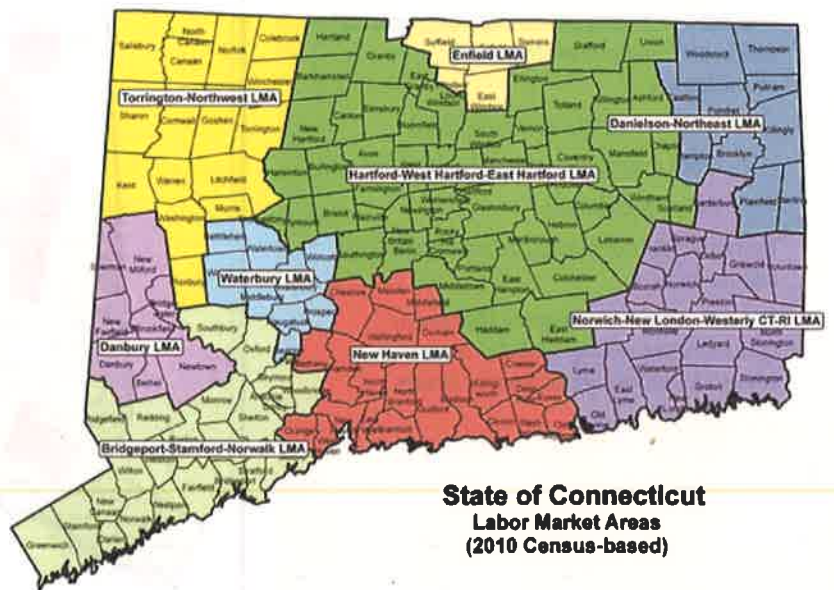
East Lyme: Understanding Affordable Housing

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.





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PLANNING AND DESIGN

Fair Share Housing Proposal: Consideration

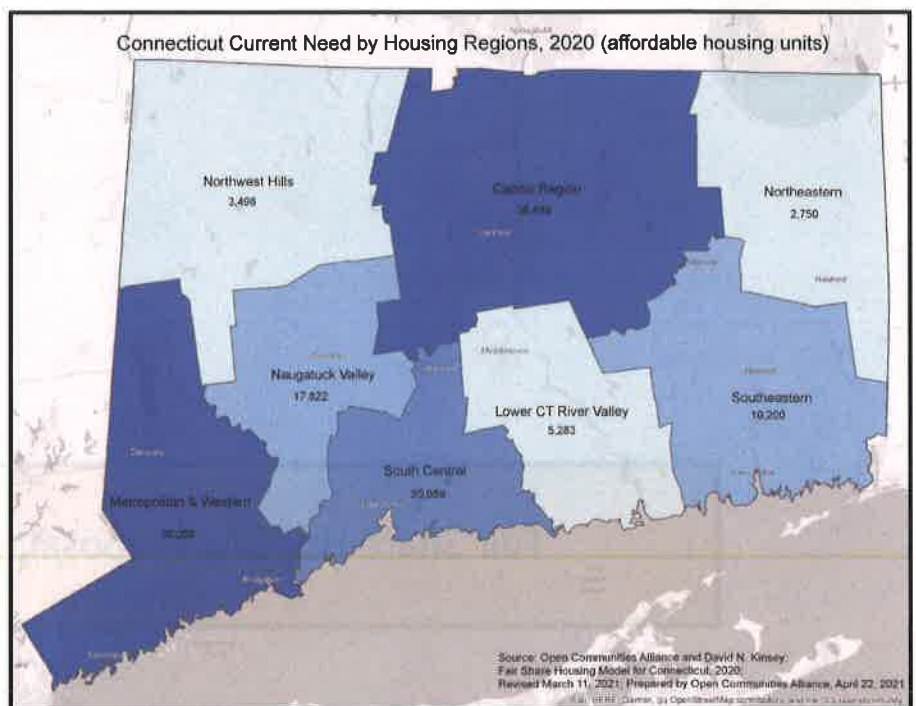
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Open Communities Alliance – Fair Share Housing Model (HB 6611)

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.



East Lyme: Understanding Affordable Housing

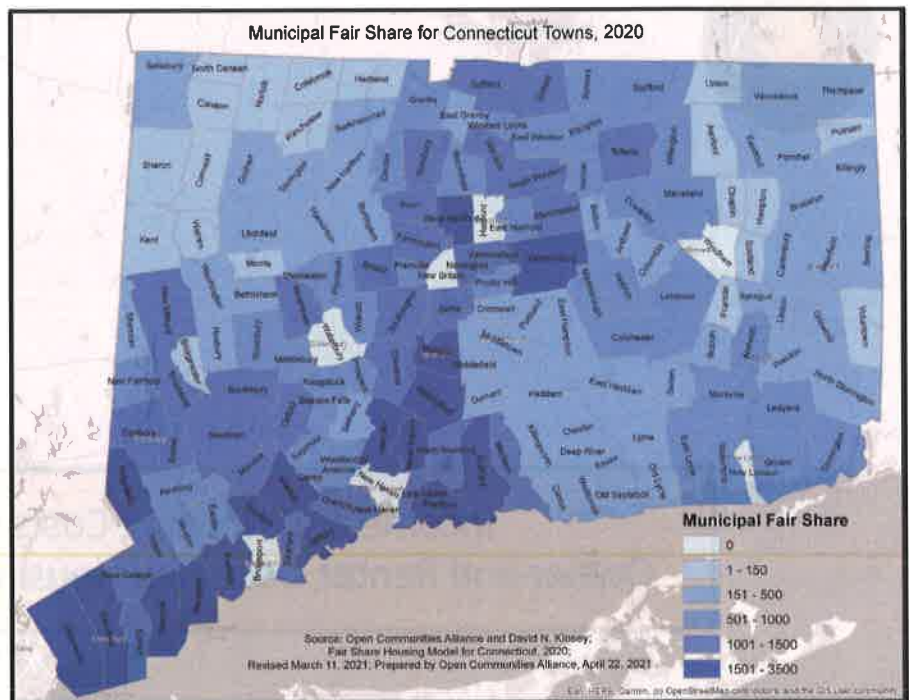
Open Communities Alliance – Fair Share Housing Model (HB 6611)

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%)





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

East Lyme: Understanding Affordable Housing

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.

East Lyme: Understanding Affordable Housing

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	103,770 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

East Lyme: Understanding Affordable Housing

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



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Estimating Affordable Housing Need

East Lyme: Understanding Affordable Housing

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.

East Lyme: Understanding Affordable Housing

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.



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PLANNING AND DESIGN

The Demographics of Housing & Households

East Lyme: Understanding Affordable Housing

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%

Figure 1. Households by Type, 1970 to 2012: CPS
(in percent)

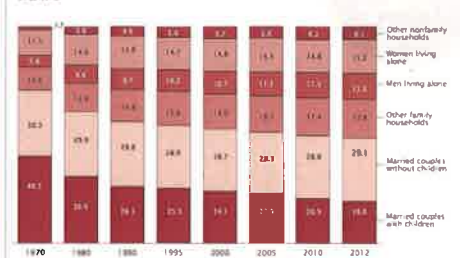
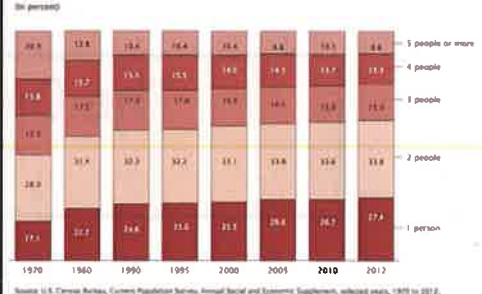


Figure 3. Households by Size, 1970 to 2012: CPS
(in percent)



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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%



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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	\$1,487	\$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.

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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

East Lyme: Understanding Affordable Housing

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	-\$1,501,880
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.

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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.



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Policy Considerations

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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.

East Lyme: Understanding Affordable Housing

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



Professional Experience: Dr. Donald Poland, AICP

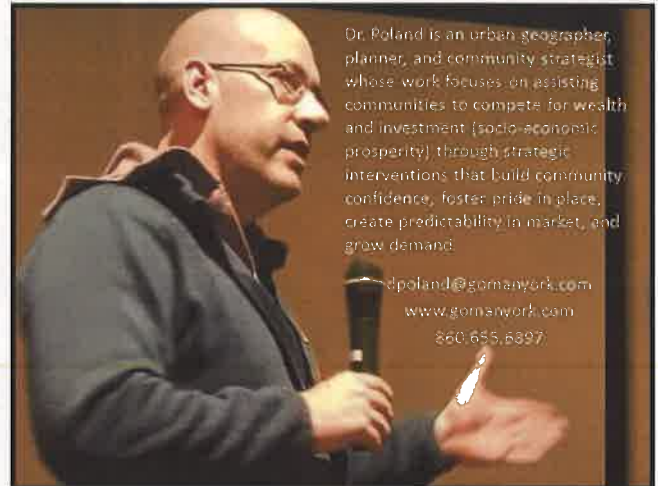
Dr. Poland is a geographer, planner, and community strategist whose work focuses on assisting communities to compete for wealth and investment through strategic market, land use, and planning interventions that build community confidence, foster pride in place, create governance capacity, and grow market 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.



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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GOMAN+YORK
ADVISORY SERVICES

**Housing Characteristics and Income Comparison:
East Lyme and Neighboring Communities**
September 06, 2022

East Lyme: Neighboring Town Comparison

Affordable Housing Appeals List (2021)

	2010 Housing Units	2021 Gov. Assisted	2021 Tenant Rental Assistance	2021 CHFA Mortgages	2021 Deed Restricted	2021 Total Assisted	2021 Percent Affordable
East Lyme	8,456	396	19	86	19	520	6.15%
Old Lyme	5,021	64	2	14	3	83	1.65%
Lyme	1,223	0	0	5	8	13	1.06%
Salem	1,635	0	4	30	0	34	2.08%
Montville	7,407	81	54	247	0	382	5.16%
Waterford	8,634	213	33	239	0	485	5.62%

Number of Bedrooms (2020 Estimates)

	East Lyme	Old Lyme	Lyme	Salem	Montville	Waterford
No bedroom	68 (0.8%)	41	0	0	28	74
1 bedroom	719 (8.4%)	330	69	161	480	626
2 bedrooms	2,144 (24.9%)	953	166	156	1,709	2,296
3 bedrooms	3,357 (39.0%)	1,831	567	884	3,139	3,484
4 bedrooms	1,900 (22.1%)	1,291	229	511	1,824	1,874
5 or more bedrooms	422 (4.9%)	361	91	65	165	230

Housing Value and Income (2020 Estimates)

	East Lyme	Old Lyme	Lyme	Salem	Montville	Waterford
Median Sales Value	\$317,100	\$395,800	\$538,700	\$306,900	\$212,300	\$251,300
Median Rent	\$1,320	\$1,404	\$1,303	\$1,394	\$1,110	\$1,365
Household Income	\$96,023	\$105,417	\$106,667	\$104,725	\$80,765	\$90,670
Family Income	\$125,000	\$141,643	\$138,625	\$114,531	\$96,731	\$106,983
Married Couple	\$139,771	\$149,306	\$146,563	\$132,629	\$104,259	\$119,263
Nonfamily	\$52,722	\$43,833	\$46,683	\$66,082	\$44,366	\$50,351

Housing Occupancy (2020 Census)

	East Lyme	Old Lyme	Lyme	Salem	Montville	Waterford
Total housing units	8,610	4,988	1,220	1,719	7,402	8,873
Occupied housing units	7,361 (85.5%)	3,278	1,038	1,599	6,928	8,205
Vacant housing units	1,249 (14.5%)	1,710	182	120	474	668
Owner vacancy rate (%)	0.4	1.0%	0.5%	1.3%	0.4%	1.0%
Renter vacancy rate (%)	1.0	5.3%	9.6%	0.0%	2.8%	5.4%

Owner- Renter-Occupied Housing (2020 Estimates)

	East Lyme	Old Lyme	Lyme	Salem	Montville	Waterford
Occupied housing units	7,361	3,162	988	1,777	6,728	7,940
Owner-occupied	5,360 (72.8%)	2,578	866	1,652	5,502	6,306
Renter-occupied	2,001 (27.2%)	584	122	125	1,226	1,634
Av. household size - owner-occ. unit	2.48	2.45	2.44	2.51	2.61	2.36
Av. household size - renter-occ. unit	1.83	1.78	2.47	2.15	2.38	2.15

Housing Characteristics (2020 Estimates)

	East Lyme	Old Lyme	Lyme	Salem	Montville	Waterford
Total housing units	8,610	4,807	1,122	1,777	7,345	8,584
1-unit detached	6,707 (77.9%)	4,170 (86.7%)	1,095	1,576	5,950	7,120
1-unit attached	270	30	15	32	110	395
2 units	248	298	12	35	167	222
3 or 4 units	324	195	0	8	222	115
5 to 9 units	234	7	0	40	141	328
10 to 19 units	331	35	0	86	165	110
20 or more units	453	10	0	0	72	135
Mobile home	43	62	0	0	518	159
Boat, RV, van, etc.	0	0	0	0	0	0



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

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Town of East Lyme, Connecticut
Affordable Housing Study & Plan

Review and Analysis:
Recommended Modifications to the Zoning Regulations



July 8, 2022

Prepared by:
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Section I. Introduction

As part of the research and analysis for the East Lyme Affordable Housing Plan, Goman+York conducted a comprehensive review of the Zoning Regulations to identify provisions and requirements that may be impediments to housing and affordable housing. This review was conducted from the perspective of a land use planner who regularly represents both municipal agencies and private developers regarding land use planning and land use approvals for housing developments, including affordable housing.

Having worked on both sides of housing and land use process, we have a unique understanding and perspective to how regulatory provisions can encourage or discourage housing development. Key to understanding the impediments that land use regulations may create is the recognition that housing development is a form of real estate investment and housing investments flow to location of demand, reasonable returns, and least resistance. Therefore, the most common regulatory impediments to housing, especially affordable housing, are provisions that result in excessive costs or high risk.

Provisions that create excessive costs undermine financial feasibility and returns on investment, while provisions that create higher risk undermines predictability and investor confidence.

Provisions that inflate costs are typically requirements that appear innocuous but result in higher land or construction costs. Provisions that create higher risk are typically procedural requirements that also appear innocuous but result in greater subjectivity in the approval process that undermines both predictability and confidence. This is critical to understand since all investments trade in the currency of predictability and confidence. If there is little or no predictability in the investment, then investor confidence is diminished. Without confidence, investment does not occur. This is especially true with the high-risk nature of speculative real estate development. The greater the costs, the less the returns. The greater risk, the less the confidence to invest.

Recognizing the dynamics of cost and risk are also critically important to understanding the role of government regulations and how such regulations impact financial feasibility, predictability, and confidence. However, we must be cautious not to misinterpret or simplify the regulatory impacts on cost and risk or the role of government regulations on investment. As government, it is not our role to judge costs (or returns) or the risks of the private investors and developers—government simply needs to understand the dynamics of cost and risk. Government's regulatory role is to protect public health, safety, and welfare; to conserve the value of property; to foster an environment of equitable access; and regarding affordable housing, to provide a social-safety net for those populations in need or at risk. Most important, from a regulatory perspective, government does not need to provide a subsidy for housing. From a regulatory perspective, government simply needs to remove impediments that obstruct the market from fulfilling both demand and need for housing. Therefore, regulatory improvements are a proactive, low cost, and low risk intervention that government can take to improve opportunity and access to housing and affordable housing.



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Section II. The Dynamics of Zoning and Housing Investment

It is important for the Planning and Zoning Commission and the community to understand the role zoning regulations can play to encouraging investment, specifically housing investment. *All codes and regulations impact market supply and demand and create regulatory impediments to development (investment)*. In addition, the land use application and permitting process adds time and money to the process of real estate development—increasing both costs and risks. Therefore, zoning and the permitting process can and do affect the flow of investment into a community.

The primary reason for zoning regulations is to protect the public health, safety, and general welfare, and conserving the value of property. In addition, zoning regulations function as tools that can aid a community in implementing the comprehensive plan (i.e., Plan of Conservation and Development), including the need for housing. Therefore, zoning regulations must strike a balance between market demands, private sector investment interests, property owner rights, and the needs, wants, and vision of the community.

Many, if not most commissions and communities have experienced applications and developments that either did not turn out as expected or were misrepresented by a less than honest developer. While such experiences are the exception, not the norm, they have a meaningful impact on land use commissions and the community, often creating a sense of distrust. More important, these negative experiences typically result in commissions feeling a lack of control over the outcomes of the land use approval and development process. This loss of control (real or perceived) often results in the creation of more restrictive regulatory provisions and more cumbersome application requirements based in the hope that such provisions will protect the community from getting ‘burned again’ in the future—an attempt to regulate for the worst-case scenario.

This is critically important to understanding the role of regulations and walking the fine line between community interests, restrictive regulations, and creating positive change through real estate investment. The goal, the balancing act, is to craft regulations that are intentional in their aim to protect community interests and conserve property value, while cultivating an environments and culture of investment and continuous improvement.

Section III. Zoning Regulation Review – Findings and Recommendations

Keeping the above introduction and discussion of the dynamics between regulations and investment in mind, this section presents our findings related to the regulatory provisions in East Lyme’s Zoning Regulations that we identify as being potential impediments to housing and affordable housing—impediments to investment. The following are two important points that provide context to our findings and recommendations. First, regarding specific impediments discussed below, the remarks are not intended to be criticisms of East Lyme’s Zoning Regulations, Commission, or Staff. The fact is, much of what is discussed below are common in the zoning regulations across many, if not most, communities in Connecticut. Simply stated, East Lyme and its regulations are not unique.



Second, East Lyme's zoning regulations are comparatively much better than most zoning regulations that we review. In fact, we were pleasantly surprised by the elegance of East Lyme's Zoning Regulations and limited provisions what we view as impediments. Simply put, East Lyme's Zoning Regulations overall are not a substantial impediment to investment or housing. However, the Regulations can benefit from review, recommendations, and modifications.

Our findings below are mostly aimed at nuanced aspects of provisions and impediments that often result from a limited understanding of the dynamics and complexities of real estate development and the effects of regulatory provisions on the cost and risk of development. Therefore, the following are provisions that we view as rising to a level of being potential impediments to investment. In addition, the recommendations are changes that we believe would improve the Regulations and better encourage and allow housing and affordable housing—housing investment.

1. Purpose:

- **Finding:** The Purpose section of the regulations does not include the statutory language regarding providing for multi-family and low- and moderate-income housing or the recent statutory language on "affirmatively forwarding fair housing."
- **Recommendation:** Add such language to the Purpose section.

2. Plan:

- **Finding:** The Plan section of the regulations references the character of districts. If this language remains, due to recent changes in statutory language, the regulations must describe the character of each district.
- **Recommendation:** Add language to describe the character of each district.

3. Section 1. Definitions:

- **Finding:** Affordable housing is not defined.
- **Recommendation:** Define affordable housing in accordance with 8-30g.

4. Accessory Apartments:

- **Finding:** Accessory apartments are simple, low-cost, and low-risk approach to providing greater diversity in housing, more rental units, and more affordable housing options without negatively impacting the character of neighborhoods or community. This is especially true in communities such as East Lyme that have both low-density large lots and higher density village settings.



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- **Recommendation:** Consider allowing Accessory Dwellings and provide an Accessory Dwelling provision to guide their utilization.
- 5. **Missing Middle Housing:** The provisions allowing two-family dwellings is very good and positive.
 - **Finding:** Unfortunately, the provisions requiring increased lot size for two-family dwellings does create an impediment.
 - **Recommendation:** Consider remove the increase lot size provisions.
- 6. **Mixed Use Dwellings:** The provisions allowing mixed-use dwelling in commercial zones are very good and positive.
 - **Finding:** Unfortunately, the provisions requiring increased lot size for such units, and the increased lot size per bedroom create impediments.
 - **Recommendation:** Consider removing the increase lot size and per bedroom increase lot size provisions.
- 7. **Mixed Use Dwellings (GPDD):** The provision allowing mixed-use dwelling GPDD is very good and positive.
 - **Finding:** Unfortunately, the provision requiring such units above offices or businesses and prohibiting stand-alone residential units are impediments.
 - **Recommendation:** Consider removing such provisions. We have found that most mixed-use developments combine commercial and residential on the same site as stand-alone or as townhomes utilizing the ground floor. It is very uncommon to find residential over retail.
- 8. **Parking Requirements – Multi-Family:**
 - **Finding:** The multi-family parking requirements are excessive by todays standards and create an impediment.
 - **Recommendation:** Consider changing the required parking for multi-family units to simply 1.5 or 1.75 spaces per unit, regardless of unit bedroom mix and eliminate the required visitor parking.
- 9. **Minimum Residential Unit Size Provisions:** The various provisions for Minimum Residential Standards are highly restrictive, conflict with market tends, artificially inflate housing cost (undermining financial feasibility), and imposes idealized middleclass values of space upon all households.
 - **Finding:** While such minimum floor area requirements have been common in zoning, they are no longer legal in Connecticut (see Public Act 21-29).
 - **Recommendation:** Consider removing all such provisions. We also recommend removing the provision that requires all multi-family, multi-story dwellings to be equipped with elevators. This can be a substantial financial impediment.
- 10. **Conservation Design Development:** We have seen a number of high-end residential developments utilizing duplex and tri-plex units in recent years.



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- **Finding:** So long as the number of bedrooms does not exceed 16, multiple units can exist on single septic system and not be considered a community system. Therefore, duplex dwellings provide an opportunity to add density to conservation or cluster developments.
- **Recommendation:** Consider a provision that would allow 30% or 40% of the units in a Conservation Design Development to be duplex units.

Section IV. Understanding Permitted and Conditional Uses

The aim this section is to provide context and understanding to the purpose and differences between as-of-right and conditional uses (special permits). Conditional uses create subjectivity in the land use approval process that often undermines predictability. Therefore, East Lyme, as we recommend to all communities, should seek to reduce the overreliance on conditional uses and limit the number of conditional uses. The fact is conditional uses (special permits) should be reserved for those exceptional uses that create real concern for negative impacts to neighboring properties and the community. Most housing does not create such elevated risks or concerns. Allowing more housing development as-of-right—not by special permit—would reduce investor and developer risk, result in lower costs, and create greater investment and affordability. The following explains the differences between as-of-right and conditional uses.

As-of-Right Uses (Site Plan): Uses that are allowed as-of-right (approved by staff zoning permit or approved by commission site plan) and by law do not require a public hearing because the requirements and measures for compliance are clearly stated in the regulatory provisions of the regulations. Such uses and approvals are not subjective, the proposed application either complies with the regulations or does not comply.

As-of-right uses are (and should be) the uses a community most wants to encourage—investment flows to the path of demand, certainty, and least resistance. Permitted uses (by zoning permit or site plan) are as-of-right uses, which indicates that if the use (and application) complies with the requirements of regulations (i.e. bulk, area, site design, etc.), then the use must be approved. Therefore, as-of-right uses (site plan applications) should not include subjective provisions, conditional criterion, or public hearings that subject the application beyond what is required in the regulations.

Conditional Uses (special permits and special exceptions): Uses that are allowed via a conditional permitting process (by commission) and by law require a public hearing because of the conditional and subjective nature of the requirements and approvals. Section 8-2 of the Connecticut General Statutes (CGS) states that the zoning commission:

“may provide that certain classes or kinds of buildings, structures or uses of land are permitted only after obtaining a special permit...subject to standards set forth in the regulations and to conditions necessary to protect the public health, safety, convenience and property values.”



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The law governing conditional uses (special permits) recognizes that while a use may be desired and acceptable in a certain zoning district, the use (based on unique characteristics and qualities of the use) may not be suitable in *all locations* within said zoning district. Therefore, the Commission may establish specific standards (and conditions) in the regulations that must be demonstrated (by the applicant) and complied with before the conditional use (special permit) is approved. It is these conditions and standards—the conditional and subjective nature of the application—that necessitate the need for a public hearing.

When considering any application for special permit, the Zoning Commission: “must determine that;

- (1) the proposed use of the property is expressly permitted under the zoning regulations,
- (2) the standards in the regulations are satisfied, and
- (3) any conditions necessary to protect public health, safety, convenience and property values as provided by Section 8-2 of the CGS can be established”

If all three requirements are satisfied, the Commission must approve the application.

Section V. The Land Use Permitting Process

When performing this kind of review of land use regulations, we are typically critical of cumbersome and burdensome application and permitting processes. In this regard, aspects of the East Lyme’s permitting processes could be viewed as such. However, as discussed above, East Lyme’s regulations do an excellent job at firmly asserting community values, establishing high expectations for design and development, and providing provisions aimed at protecting the community. However, we believe it critical that East Lyme work to ensure its land use approval process maintains fairness and predictability. Simply put, we believe that all communities should strive to provide a land use approval process that is simple, swift, and certain.

Therefore, we wish to conclude this review with a framework to help East Lyme understand, maintain, and manage an effective land use approval process. To accomplish this, we leave you with a reference and summary that provides perspective as to how to accomplish this. Understanding what applicants—residents, developers, and investors—want and expect from the land use approval process can be helpful in creating the regulations, application procedures, and administering the permitting. The article, “The Development Review Process: A Means to a Noble and Greater End” published in *Zoning Practice* by the American Planning Association, identifies an insightful list and explanation of what applicants want and expect from the permitting process.



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What Applicants Want

1. Predictability

- Clear expectations, no surprises
- Clear process and decision points

2. Fair Treatment

- Rules are the same for everyone
- No “good” or “bad” developers—offer trust and be trustworthy

3. Accurate and Accessible Information

- Easy to find and understand
- Clear application requirements and standards

4. Timely Process

- Establish early tentative dates for hearings
- Guaranteed review turn-around times
- Published commission and council meeting dates

5. Reasonable and Fair Costs

- Application fees
- Development commitments
- Impact fees

6. Competent Staff

- Staff team should have a balance of “hard” technical skills and “soft” people skills

7. Elegant Regulations

- That fit
- That are easy to navigate
- That are rational
- The most desired outcomes are easy to meet

This summary offers a framework that East Lyme should consider and follow. It is what land use agencies should strive to achieve through their administration of the land use approval process. In addition, it offers insights into other aspects of the process such as fees, treatment, and regulations. We provide this as tool for East Lyme to consider and use in the future when creating regulations, policies, and procedures.

Town of East Lyme, Connecticut

Affordable Housing Plan

Housing and Affordable Housing Incentives Assessment Report

GOMAN+YORK

August 16, 2022

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Section I. Introduction

This report is aimed at exploring and presenting potential housing incentive tools and programs that the Town of East Lyme may want to consider implementing as part of its Affordable Housing Plan. Housing incentives can typically be conceptualized in three broad categories: incentives that reduce or remove impediments, incentives that increase demand for housing, and incentives that increase supply of housing.

The first category, incentives that reduce or remove impediments to housing were mostly addressed in the *Review and Analysis: Recommended Modifications to the Zoning Regulations* report issued on July 8, 2022. The second category of incentives, housing demand-side incentives are typically programming that increase the income or housing cost capacity of the renter or homebuyer (e.g., voucher programs). Such programs are typically administered at the federal and state levels of government since their costs exceed the financial capacity of municipal government. That leaves the third category, housing supply-side incentive programs as the primary focus of this report. Housing supply-side incentives are tools, strategies, and programs aimed at increasing the supply of housing, specifically the supply of affordable housing, within the community.

Housing supply-side incentives typically include zoning density bonuses, expedited permitting processes, reduced/waived permitting fee, property tax abatements (including tax increment financing), land banks, and housing trust funds. The organization of this report seeks to inform, guide, and recommend incentive programs. Starting with Section II, this report will address housing as a commodity and how housing differs from other commodities. Section III then presents a discussion of affordable housing and financial feasibility—the challenges of developing financially feasible affordable housing developments. Section IV will explore each of the housing incentive programs (i.e., zoning density bonuses, expedited permitting processes, reduced/waived permitting fees, property tax abatements, land banks, and housing trust funds) and provide recommendations as to their applicability in East Lyme and specific considerations for the utilizations of such incentive programs in East Lyme. Section V discusses the misplaced concern of affordable housing having negative impacts on property value. Last, Section VI provides a brief conclusion.

Section II. Housing as a Commodity

Housing is unique and, in many ways, different than other commodities. Understanding these differences helps to inform us as the specific challenges regarding housing costs and housing affordability. Housing is fixed in locations, durable, temporal, subject to creative destruction, and as a result, subject to becoming functionally obsolescent. The following are brief discussions and explanations of each of these unique characteristics:

- **Fixed Location:** Real estate, parcels, buildings, and specifically, housing units are fixed in locations—they are non-moveable. Therefore, the utility and value of housing are tied to their location and neighborhood conditions. Most important, location and conditions are subject to change. What was

a desirable location or a well-maintained neighborhood yesterday, may not be as desirable or well-maintained today. As a result of this, the value of housing can be influenced by investment behaviors in each neighborhood. If owners are investing in their properties, then property values are likely rising—the opposite is also true.

- **Durable:** Housing is long lasting and expensive to construct. Housing requires continuous investment to maintain quality and value. In addition, housing is highly susceptible to changes in investment behavior, the location of investment, and consumer preferences. Unlike other commodities, housing remains on the landscape for long periods of time, while investor behaviors and consumer preferences change over time.
- **Temporal:** Housing is constructed at specific moments in time (and space/location), often in large numbers (i.e., large developments or neighborhoods), and designed to meet the specific consumer preferences at that moment in time. Unfortunately, this means that the moment a housing unit is completed, the housing unit is competing with newer housing product aimed at better serving the everchanging preferences of consumers. This temporal change in housing is most evident in housing size, amenities, and materials/technology.
- **Creative Destruction:** Is the phenomenon and process of innovation (i.e., new methods, materials, techniques, designs, and amenities of housing) that creatively destroys (make obsolescent) the housing product that was previously provided. Housing are continually being creatively destroyed by newer/modern product (and locations). For example, the 1950s 1,000 square foot ranch, on a quarter acre lot, with one bathroom, three bedrooms, small closets, and a one car garage has been creatively destroyed by 2,000 square foot Colonials and Capes on half-acre (or more) lots, with two and a half baths (one en-suite with the master bedroom), three or more-bedrooms, large closets, and two car or more garages.
- **Functional Obsolescence:** *The four characteristics of housing as a commodity above, can and often do coalesce into functional obsolescence. The moment a housing unit or housing development are constructed/completed, the housing is competing with newer product aimed at everchanging consumer preferences.* Therefore, without continuous investment (i.e., maintenance, upgrades, and amenities) housing can depreciate in utility and value. This depreciation in utility and value may result in housing units that become functionally obsolescent.

Most commodities are not fixed in location and as durable as housing. However, most commodities are temporal and susceptible to creative destruction. For example, when the Sony Walkman is creatively destroyed by the MP3 player, the Walkman goes away, while the 1950s house remain as part of the landscape and housing market, forced to compete with newer housing product and face the threat of functional obsolescence. This also means that older housing can be a source of housing that is more affordable (i.e., less expensive) than newer housing. While this *naturally occurring affordable housing* is not *qualified affordable housing*, it does serve households at various incomes. New housing is costly and time consuming to produce, making it a challenge to serve all households, incomes, and consumer preferences, while keeping pace with demand.

The hard costs of housing (i.e., land, materials, and labor) are high. The soft costs of housing (i.e., engineering and design, entitlements, fees, and taxes), especially in Connecticut, are also high. While local government has little or no influence on the hard costs of housing (other than land supply by use and density), local government can influence some of the soft costs of housing, and therefore, positively impact the total cost of housing and the likelihood of increasing housing supply and the affordability of housing.

Section III. The Challenge of Affordable Housing and Financial Feasibility

It is important for East Lyme to have a basic understanding of the economic/financial challenges of developing housing, specifically affordable housing. Unfortunately, it is too often assumed that developers are greedy and unwilling to build housing that is more affordable. However, such a perspective often misunderstands the high-risk nature of speculative real estate development and the actual costs and impacts that affordable housing units can have on the overall financial feasibility of a development. Therefore, it is important to address how public policies impact housing costs as part of the greater discussion of housing incentives. To accomplish this, I present for this section an abridged version of an article I wrote for *Connecticut Planning Magazine*, titled “Affordable Housing and Financial Feasibility.” The article is intended to provide context and understanding as to the dynamics and challenges of housing and affordable housing development.

“Affordable Housing and Financial Feasibility”

This article’s aim is to focus on the perspective and challenge that receives the least attention in our planning efforts to address housing affordability. That issue is the economics of housing, affordable housing, and the financial feasibility of affordable housing developments.

Housing markets function in accordance with the laws of supply and demand. Scarcity of housing overall—and at specific price points—results in higher housing costs. Demand drives scarcity when demand outpaces supply. Therefore, if we are to understand the challenge of affordable housing, it is critical that we understand the economics and financial feasibility of developing affordable housing. While 8-30g is a well-intended policy, it has fallen short of performing as it was intended—producing an inadequate supply of affordable housing in underserved higher-income communities. Unfortunately, growth in two of the three demand drivers (jobs and population) has been anemic since 8-30g was adopted—household formations being the third demand driver with moderate growth. Affordable housing aside, the economics of speculative real estate development has been sluggish at best across all real estate asset classes since 8-30g was adopted three decades ago. The result: soft-to-weak market demand with high costs and low returns that challenge the financial feasibility of most real estate developments.

While some communities resist development (i.e., resist change, growth, and affordable housing) others have embraced development. However, even those communities that embrace development are often confronted with the challenges of soft- to weak-market conditions and marginally feasible developments that often require public participation in the form of subsidies, the most common

being tax abatements. Developers would develop more real estate, including housing and affordable housing, if there were ample demand and stronger returns (i.e., if more developments were financially feasible). However, anemic demand, modest returns, and unpredictable land use approvals undermine market confidence, predictability, and increase risk.

The development of affordable housing poses even greater risks (e.g., community opposed and denied applications) than market rate housing, and lower returns (e.g., below-market rents). While density can be an incentive to aid in overcoming higher costs, when confronted with the realities of soft- to weak-market conditions, it is challenging at best to design and develop a financially feasible affordable housing.

The reason for this is the many variables that determine financial feasibility—the unique financial dynamics of all real estate developments. These variables include market strength, land cost, labor cost, site development cost, utility connection fees, utility user fees, permitting fees, interest rates, tax rates, and achievable market rents. Most important, each of these variables influences both the upfront development costs and long-term operation costs. Cost vs Returns = Financial Feasibility.

To understand how financial feasibility works, let us explore some basic economics of developing a 2-bedroom multi-family housing unit in the Hartford region. To accomplish this, I compare the costs and returns of a market rate unit, and affordable units at 60% and 80% AMI. In addition, I extrapolate the per unit calculations to a 100-unit market rate and an 8-30g qualified affordable development. In doing so, I use generalized market values and development costs based on recent market research to provide reasonable representation of an actual development costs and returns in the Hartford region.

For the market rate unit, we assume that the occupants are a 3-person household with the median household income of \$88,100. At 30% of their income, the household's housing budget is \$26,430/year (or \$2,202/month), enough to pay the market rate rent for a 2-bedroom of \$2,070 (or \$1.97/sq. ft.). Typically, as the starting point for determining financial feasibility, a return of approximately \$2.00/sq. ft. is required to cover costs. Therefore, the return of \$1.97/sq. ft. is deemed reasonably feasible.

Table 1. Market Rate Rent

Household/Income	Unit Sq. Ft.	Rent @ 100% AMI	Market Rent	Market Rent/ Sq. Ft.
3-person at \$88,100	1,050	\$2,202	\$2,070	\$1.97

The feasible return of \$1.97/sq. ft. is assumed to cover the development construction costs and the operation costs spread over an 8-year development proforma, including a 12% return on investment (ROI). The reason the \$2.00/sq. ft. is a starting point for feasibility is that costs and returns are not fixed values for all developments. The values may vary, often between \$1.85 and \$2.40/sq. ft. depending on the actual costs and the attainable rents.

Let us explore one variable cost, property taxes, as an example of how variable costs impact financial feasibility. In our first example, the \$1.97/sq. ft. includes taxes on an assessed value of \$105,000 (70% of appraised value) at a mill rate of 2 mills. An identical unit in a neighboring community with a mill rate of 33 mills would raise the per-square-foot rent required by four cents to \$2.01. While such a small increase sounds insignificant, the difference, extrapolated over 100 units or 105,000 square

feet, results in an additional \$4,200 per year in property tax and operating expenses (or \$33,600 increase over the 8-year proforma). The same would be true of marginal increases in other variable costs (e.g., land cost, site improvements, utility connections, permits, etc.). If each of these costs increased by 4 cents per square foot, the identical unit in the neighboring community would require a rent of \$2.16 per square foot to be financially feasible. However, if the maximum achievable market rent remains equal to \$1.97/sq. ft. the development would not be financially feasible. Hopefully, the reader is seeing not only the effects of marginal variations in costs, but that excessive municipal fees (e.g., sewer connections, land use application, building and zoning permits, etc.) can and do impact feasibility and the cost of affordable housing.

Table 2. Taxes Per Square Foot

Unit Sq. Ft.	Appraised Value	Assessed Value	Mill Rate	Taxes	Monthly Taxes Per Sq. Ft.
1,050	\$150,000	\$105,000	28	\$2,940	\$0.23
1,050	\$150,000	\$105,000	33	\$3,465	\$0.27

Now let us consider the same 2-bedroom unit and 3-person household adjusted for affordable rents. Table 3 shows that the maximum affordable rent at 80% AMI is \$308 less per month than the market rate rent (or \$3,696 less per year). The maximum affordable rent at 60% AMI is \$762 less per month (or \$9,144 less per year). However, qualified affordable rents must also adjust for utility costs since total housing costs cannot exceed 30% of household. Conservatively adjusting for utility costs further reduces the maximum affordable rents by \$200 per month, as shown in the table. As a result, the yearly decrease in unit rental income increases to \$6,096 at 80% AMI and \$11,544 at 60% AMI.

Table 3. Affordable Rents

Unit Sq. Ft.	Market Rent	Rent @ 80% AMI	Rent @ 60% AMI	Market Rent/ Sq. Ft.	Rent/Sq. Ft. 80% AMI	Rent/Sq. Ft. 60% AMI
1,050	\$2,070	\$1,762	\$1,308	\$1.97	\$1.68	\$1.25
Utility Adjusted Rent		\$1,562	\$1,108	\$1.97	\$1.49	\$1.05

The loss in rental income for the affordable units is substantial and the cumulative effect extrapolated over 100-units significantly impacts financial feasibility. Table 4 shows the gross income of a fully market rate development versus an affordable qualified mixed-income development. The 100 market rate units (assuming 100% occupancy) gross \$2,484,000/year. The affordable mixed-income development, with 70 market rate units, 15 affordable units at 60% AMI, and 15 affordable units at 80% AMI, has a gross income of \$2,219,840/year. That is \$264,160 (or 11%) less in yearly income than the market rate development. While an 11% decrease may not sound significant, it is important to understand that most costs are fixed (e.g., debt, utilities, taxes, insurance, management, etc.) and remain the same for the operation and management of both the market rate and affordable development—the debt service alone likely accounts for up to 50% of yearly gross revenue. The result, the 11% decrease in revenue, directly impacts the profitability or return on investment, substantially decreasing the financial feasibility of the project.

Table 4. Gross Incomes of Hypothetical Market-Rate and Mixed-Income Developments

	Units	Per Month Rent	Gross Income Per Unit	Gross Income Total Units
Market Rate Development	100	\$2,070	\$24,840	\$2,484,000
Mixed-Income 8-30g Development	70 Market Rate	\$2,070	\$24,840	\$1,738,800
	15 (80% AMI)	\$1,562	\$18,744	\$281,600
	15 (60% AMI)	\$1,108	\$13,296	\$199,440
	100	<i>Total</i>		\$2,219,840

Developing a financially feasible market rate housing development is challenging enough with anemic demand and marginal returns. Add to the development a requirement for 30% qualified affordable units and it can become near too impossible. While increases in density reduce the cost of land per unit, most of the other costs remain constant. Therefore, the benefits of density are marginal in the context of total cost—land costs typically account for only 6-10% of total costs. The many variables and marginal variation in their costs have meaningful impacts on financial feasibility. In addition, since such costs vary across different geographies, understanding these costs helps to better understand locational variation and challenges in the production of affordable housing. By providing incentives aimed at reducing or waving fees and abating taxes on affordable units, municipalities could meaningfully and positively impact the financial feasibility of affordable housing development.

Section IV. Supply-Side Incentive Programs

As discussed above, supply-side incentive programs typically include zoning density bonuses, expedited permitting processes, permitting fee reductions or waivers, property tax abatements (including tax increment financing), land banks, and housing trust funds. The following is a summary review, recommendations, and considerations for such programs for the Town of East Lyme.

1. **Density and Density Bonuses:** Density bonuses are regulatory (zoning) incentives that allow land to be developed at a higher density than is allowed by zoning. The increased density (or greater housing unit yield) allows for the cost of land to be spread over more units, effectively reducing the per unit land costs and the total per unit housing cost. That said, land costs are typically a small percentage (6% to 10%) of total development cost. In addition, increases in density may be factored into and be accounted for in property value/land costs. Regardless, density bonuses do provide an incentive, even if a marginal one, to the developer to produce housing.

- **Finding:** There are many methods to provide density bonuses or to increase density and housing unit yield. In fact, many regulatory provisions directly impact density and housing unit yield—see the *Review and Analysis: Recommended Modifications to the Zoning Regulations* report, which addressed some of these methods and provisions related to density and housing unit yield. For example, the provisions for mixed use dwellings, multi-family parking requirements, and missing-middle housing, all impact, directly or indirectly, the density of development or housing unit yield.
- **Recommendation:** The primary recommendation for density is to implement the recommendations of the *Review and Analysis: Recommended Modifications to the Zoning Regulations* report. Each of those recommendations will go a long way to increasing housing diversity, supply, opportunity, and improving affordability.
- **Considerations:** Consider the creation of specific Affordable Housing or Inclusionary Housing provision that provide specific density bonuses for affordable housing. Such a provision may be in the following form:
 - Create an Affordable Housing Overlay Zone for areas served by public water and public sewer that allows multi-family (including mixed-use developments) housing an additional market rate unit for each deed restricted qualified affordable unit (in accordance with CGS 8-30g qualified affordable housing for household incomes up to 80% AMI).
 - Create an Affordable Housing or Inclusionary provision that is applied to all residential zones and development over 10 units. For example, a minimum of 5% or 10% qualified affordable for single-family and 10% or 15% for qualified affordable for multi-family.

2. **Efficient Permitting – Swift, Simple, and Certain:** Also discussed and recommended in the *Review and Analysis: Recommended Modifications to the Zoning Regulations* report, we believe it critical that East Lyme work to ensure its land use approval process maintains fairness and predictability. Simply put, East Lyme should continuously strive to provide a land use approval process that is simple, swift, and certain.

- **Finding:** The recommendations in *Review and Analysis: Recommended Modifications to the Zoning Regulations* report focuses on creating a swift, simple, and certain land use approval process. This is based on two axioms in real estate development, ‘time is money’ and ‘time kills deals.’ The greater certainty and predictability that can be provided in the land use approval process, the more likely housing will be built, including affordable housing.
- **Recommendation:** Our primary recommendation for efficient permitting related to housing is for East Lyme to reduce overreliance on conditional uses (Special Permits) and

to allow more housing uses, via as-of-right (Site Plan) approvals. This will go a long way to encourage greater housing diversity, supply, opportunity, and improving affordability.

- **Considerations:** No further considerations.

3. **Permitting Fee Reductions or Waivers:** Local government can (and does) collect reasonable fees to offset the cost associated with land use, building, and other permits. In East Lyme, these permitting fees, are reasonably priced and not as excessive as is common in some communities. While such fees do provide revenue for the Town budget, the percent of total revenue is typically very low compared to other sources of revenue. For example, in the East Lyme 2022-2023 budget, we estimate land use and building fees account for less than 1.0% (\$492,850) of total revenues. In addition, most of staff for the permitting related departments is required/needed regardless of permitting activity or permitting fees. Therefore, providing reductions or waivers on permitting fees as an incentive for housing or affordable housing, will have little impact on Town revenues.

- **Finding:** Permitting fees can and do add meaningful costs to development projects, commercial and residential. Based on our research and experience with permitting fees in East Lyme, we estimate that such fees total as much as \$2,000 per housing unit for multi-family residential housing development. Permitting fees of \$2,000 per housing unit likely equal approximately 5% to 6% of soft costs and nearly 1.75% of total development costs. This translates to approximately \$25 per month per unit over the first 8 years of the development. Therefore, a reduction or waiver of such fees could reduce the cost of new affordable housing.
- **Recommendation:** East Lyme may want to consider implementing a fee reduction or waiver program for housing developments, specifically for multi-family, mixed-use, and/or affordable housing. Such reductions or waivers could be structured to specifically address end-user housing costs.
- **Considerations:** The following are specific considerations or recommendations as to how such a program could be structured and implemented:
 - Amend the Fee Schedule to provide a reduced (or waived) fee structure for multi-family, mixed-use, or affordable housing units.
 - Amend the Fee Schedule to provide a waiver of permitting fees for all qualified affordable housing units.
 - Amend the Fee Schedule to provide a reduced fee structure (or waiver) for affordable housing units—a reduced fee and/or waiver could be on a sliding scale based on the number or percent of affordable units.

Providing reductions or waivers will reduce housing costs. East Lyme must determine what it is comfortable with in terms of reductions and waivers. However, we recommend the consideration of total fee waivers for qualified affordable units.

4. **Property Tax Abatement:** Local government has the authority to enter into an agreement with a property owner to fix the assessment of real property (grant a tax abatement) for up to 10 years. A tax abatement can be granted to multi-family developments consisting of four or more dwelling units and mixed-use developments (a development consisting of one or more multifamily or single-family dwelling units and one or more commercial, public, institutional, retail, office, or industrial uses). Historically, tax abatements have primarily been utilized for commercial and industrial development—as economic development incentives. However, over the past decade, tax abatements have become increasing popular and common with multi-family residential development. In recent years, we (G+Y) have been involved in many multi-family and mixed-use tax abatement agreements—as consultants to both developers and municipalities entering into such agreements—in the communities of Bloomfield, Manchester, West Hartford, East Hartford, and Wethersfield, to name a few. The popularity of multi-family tax abatements has mostly been driven by the high costs and marginal returns of multi-family and mixed-use development—the result of weak demand drivers—and local government recognizing that if the community wants specific developments or redevelopments to occur, it must participate in the development. Another driver of this shift to granting tax abatements for multi-family developments has been the recognition by municipal government that housing is important to economic development—the need to provide a diversity of housing for a diverse workforce.
- **Finding:** As with permitting fees discussed above, local property taxes contribute to operating expenses/costs of multi-family and mixed-use developments. Therefore, the granting of a tax abatement reduces costs, increases returns, and can result in developments that otherwise would not be financially feasible—would not get built, contribute to the grand list, or pay taxes. As discussed earlier, the returns on affordable housing developments are reduced because of the need to fix rents at affordable levels (80% AMI or less)—below market rents and the minimum return required for a financially feasible rent. For example, we recently assisted the Town of West Hartford review and structure their first ever tax abatement agreement for a 295 residential unit development that included both the redevelopment of an existing historic structure and new construction on the same site. Most notable, 10% of the units were required by the Town to deed restricted as affordable at 80% AMI. The tax abatement was needed for and aimed at assisting with higher costs related to the redevelopment and preservation of a historic structure and loss of return on rents for the affordable units (approximately \$300 per month per affordable unit or \$3,600/unit/year). Our experience with market research and financial feasibility for housing developments has taught us that property taxes for multi-housing units typically run between \$3,000 and \$3,900 per unit—an amount coincidentally similar to the loss in revenue on units rented at 80% AMI. This demonstrates the real cost associated with taxes and how a tax abatement can be employed as an incentive to encourage affordable housing development.
 - **Recommendation:** East Lyme may want to consider implementing tax abatement policy in accordance with Section 12-65b (Agreements between municipality and owner...of real

property...fixing the assessment of such property...) of the Connecticut General Statutes to provide the opportunity for tax abatements to incentivize multi-family housing, mixed-use development, and affordable housing.

○ **Considerations:** The following are some considerations for the implementation of a tax abatement program:

- A tax abatement policy should be structured as flexible as possible to avoid binding the Town or the applicant to a structure that may not work.
- Abatements for housing, especially affordable housing, should be granted for a minimum of 7 years, or 10 years, if needed.
- As a minimum, 100% abatements are typically needed in the first 2 years while the development stabilizes. Abatement percentages can then be determined and decreased for the remainder of the abatement period based on need.
- Abatement agreements can be structured for the whole development or limited to the housing units or the affordable housing units. Abatements of 100% for affordable units for 7 or 10 years could be a strong incentive—with or without abatements for all housing units or the whole development in the context of mixed-use developments.
- Typically, abatements are structured to maintain the current taxes paid so that the municipality does not lose taxes and it is the future value based on the new development that is abated.
- Tax abatements could be used as an incentive to encourage owners of naturally affordable housing units to deed restrict those units as *qualified affordable units*.
- Tax Increment Financing (TIF) is another powerful tool, similar, yet different from tax abatements. TIF agreements utilize the future tax value of a development to secure bonds that help fund the upfront development costs. Therefore, the TIF funding helps finance the construction costs of a development (often infrastructure), whereas a tax abatement provides the most benefit to the operation costs of development because they reduce the taxes to be paid once the development is complete. In 2015 the State of Connecticut authorized (Public Act 15-57) municipal government to create TIF districts and administer TIF programs locally. Since then, many CT communities have enacted TIF District programs. East Lyme may want to explore the creation of one or more TIF Districts as both a housing and economic development incentive program. Most important, TIF Districts are a powerful tool to target investment into well-defined areas.

5. **Land Bank:** Land banks are typically created to acquire, hold, manage, sell, and redevelop properties. A land bank can be a municipal agency or not-for-profit organization. Land banks are

most often utilized in weak- and distressed-market communities as a tool to address vacant and abandoned properties. Such properties are often acquired through tax foreclosures. However, land banks have also been utilized for redevelopment strategies and to provide development parcels as a low or no cost to incentive to develop of affordable housing.

- **Finding:** Land banks are more common in communities that are more distressed than East Lyme. We rarely see land banks in stronger market communities such as East Lyme. That said, a land bank could be a useful tool for encouraging affordable housing. For example, if East Lyme, had vacant or abandoned properties or substantial number of tax delinquent properties, the creation of a land bank as a means of acquiring properties and making them available for affordable housing development, may be a viable approach.
- **Recommendation:** East Lyme may want to further research the number of properties (vacant, abandoned, and/or tax delinquent) plausibly available to supply/fund a land bank to encourage affordable housing development. If there are dozens of parcels that are plausibly available, a land bank approach may be viable. However, if the numbers are small, less than three dozen, then the time, energy, and money required to create and manage a land bank probably renders the endeavor not feasible.
- **Considerations:** The most significant consideration when creating a land bank is the organizational structure. Will the land bank be a public government agency or an independent non-profit organization? What governance structure is best suited for the community?

6. **Housing Trust Fund:** In accordance with the Connecticut General Statutes, Chapter 98, Section 7-148(c)(2)(K), a municipality can “Create a sinking fund or funds or a trust fund or funds or other special funds, including funds which do not lapse at the end of the municipal fiscal year.” This provision would allow East Lyme to create an Affordable Housing Trust Fund. Such a fund can be an effective tool for encouraging, funding, and supporting affordable housing in the community.

- **Finding:** Providing such a Trust Fund can be a powerful tool for supporting affordable housing. This is especially true for a wealthier community such as East Lyme whose housing market better serves a higher income population than a lower income population—a community that struggles to meet the 10% fair-share affordable housing requirement in 8-30g. As discussed above, it is costly to build, maintain, and manage affordable housing. In addition, based on both the challenges of financial feasibility and the limited availability of public water and sewer, such a Trust Fund could provide a means to raise affordable housing revenues from developments that cannot provide affordable housing due to well, septic, or other limitation. This would allow East Lyme to utilize the Affordable Housing Trust Fund to provide direct assistance to affordable housing developments. Such a Trust Fund, if creatively designed, could also capture other sources of revenue to help fund and support affordable housing (i.e., permitting fees,

budget line item, etc.). Most important, creating an Affordable Housing Trust Fund will demonstrate that East Lyme is serious about addresses housing affordability and is being a proactive partner in the development of affordable housing.

- **Recommendation:** East Lyme may want to consider creating an Affordable Housing Trust Fund. In doing so, East Lyme should consider targeting the funds raised in the Affordable Housing Trust Fund at affordable housing for households at or below 50% AMI. Households at incomes at or below 50% AMI is where there is the greatest need for affordable housing. In addition, as the percent AMI goes down, the more challenging it is to build housing that is financially feasible. Targeting direct investment through the Affordable Housing Trust Fund at housing aimed at 50% AMI and below would go a long way to serve the greatest need for affordable housing.
- **Considerations:** The following are some considerations for the creation of an Affordable Housing Trust Fund:
 - Pair the Trust Fund with an *inclusionary zoning provision* (see sample provision from Tolland) that requires a fee-in-lieu of affordable housing for all housing developments of 10 units or more that do not provide affordable housing units. It is important to note that additional research will be required to legally structure such fee and to determine what is an appropriate and feasible amount for such a fee to ensure that it does not create financial feasibility issues for market rate developments.
 - Designate an Affordable Housing Advisory Committee to oversee and administer the fund.
 - The fund can be used to support both private and non-profit developers.
 - Promote the fund for tax deductible donations, including hosting fundraiser events and drives. (Under the IRS code Section 170(c)(1) contributions to a state or a political subdivision "made for exclusively public purposes" qualify as a tax-deductible charitable donation.)
 - A sample Affordable Housing Trust Fund Ordinance from the Town of Fairfield has been provided below. Please note this is a sample ordinance, not a recommended ordinance. If East Lyme is willing to be creative and innovative can produce a more elegant and effective ordinance to promote affordable housing. For example, the ordinance could allow the Town to provide direct housing subsidies, in the form of grants, to the lowest income households.

Section V. Property Value and Affordable Housing

Too often communities fear affordable housing and believe that affordable housing will have negative impacts on the community. Most common is the concern that affordable housing will negatively impact property values, specifically single-family property values. Such concerns are common in the land use approval process. In fact, one of the foundational concepts of zoning is that “such regulations shall be made with reasonable consideration...to the character of the district...with a view to conserving the value of buildings” (Zoning Enabling Act, 1922). The concept of *a view to conserving the value of buildings* needs to be contextualized to the time when it was written and the problems that zoning was designed to solve. The 1920s context was the harsh conditions of the industrial city and the lack of regulatory provisions to deal with incompatible uses and the negative consequences of proximity. In addition to the *character of the district* and *conserving the value of buildings*, zoning was intended to protect us from *fire, panic, and other dangers*, conditions that no longer threaten us in the ways they did in the 1920s industrial city. Simply stated, zoning (along with other policies and regulations) has successfully solved the problem of the industrial city and has created stability and predictability in real property markets.

Today, the way in which we need to conceptualize *conserving the value of buildings* has changed. That is, the dissimilarity in uses has been greatly reduced. In addition, the negative impacts on adjacent and proximate property have been mostly reduced to the most undesirable land uses. For example, undesirable land uses such as airports, landfills, superfund sites, etc. and their impact on residential and other proximate uses have been extensively studied and documented as having negative impacts on property values (Bell, 1998, 2001; Findlay and Phillips, 1991; Cartee, 1989; Hurd, 2002; Simons, 1997).

However, such concerns and claims of the negative impact created by other dissimilar uses have persisted in the land use approval process, especially concerns regarding multi-family and affordable housing development adjacent and proximate to existing residential properties. It is even common to hear claims that new single-family residential development will negatively impact the value of existing single-family residential properties. Fortunately, such concerns and claims have led to academic and industry research on the impacts of new (residential and commercial) development on existing residential property values. Most important, the abundance of academic research has shown that such claims are not substantiated.

For example, a notable and comprehensive longitudinal study by the MIT Center for Real Estate of seven high-density affordable housing developments adjacent to medium- and low-density single-family residential areas in six communities spread across Metropolitan Boston. The researchers stated that the findings “in all seven case study towns lead us to conclude that the introduction of larger-scale, high-density mixed-income rental developments in single-family neighborhoods *does not* affect the value of surrounding homes. The fear of potential asset-value loss among suburban homeowners is misplaced” (Pollakowski, et. al, 2005: ii). A 2003 study by Harvard’s Joint Center for Housing Studies found that *apartments posed no threat to surrounding single-family house values* (Hoffman, 2003).

The findings of the MIT and Harvard studies are further substantiated in a recent study by Kem C. Gardner Policy Institute at the University of Utah. The study, *The Impact of High-Density Apartments on Surrounding Single-Family Home Values in Suburban Salt Lake County*, analyzed the construction of 7,754 units between 2010 and 2018 and the impact of these multi-family rental developments on single-family home values within a half mile of the new apartments. The researchers found:

...apartments built between 2010 and 2018 have not reduced single-family home values in suburban Salt Lake County. In response to accelerating housing prices over the last decade, the market continues to shift to denser development to slow this trend. However, denser development continues to be a politically controversial topic on city council agendas as existing residents often bring up negative impacts on home values. Single-family homes located within 1/2 mile of a newly constructed apartment building experienced higher overall price appreciation than those homes farther away (Eskic, 2021: 1).

Overall, academic research shows that multi-family development, which is most often of a higher density than single-family residential development, either has no impact or a positive impact on adjacent and proximate single-family residential property values. For example, a “study in King County, Washington, shows an increase in single-family home values for those located near denser development” (Eskic, 2021: 2).

The National Association of Homebuilders found that single-family residential property values within 300 feet of multi-family rental housing increased by 2.9% (NAHB, 2001). Researchers at Virginia Tech University conducted a study that concluded, multi-family rentals that were well-designed, attractive, and well-landscaped, increased the value of proximate single-family residential housing (Eskic, 2021). What was most interesting about the Virginia Tech study, as explained by Eskic (2021: 2), were the researchers three possible reasons to explain their findings:

1. new construction serves as a potential indicator of positive economic growth;
2. new apartments increase the pool of future homebuyers for current homeowners; and
3. apartments with mixed-use development often increase the attractiveness of nearby communities as they provide more housing and amenity choices.

These three possible explanations are important. They highlight the importance of continuous investment in a community; providing a modern, diverse, and competitive housing stock—the positive economic growth, the need to attract newcomers to the community to create a pool of future homebuyers, and the amenity value diverse housing stock that offers housing alternatives for other residents already in the community—retaining young adults and empty nesters who seek to remain in the community but need and want housing other than larger single-family homes.

While claims of negative property value impacts are likely to persist in the local land use approval process, the unbiased academic research is clear in its findings, “apartments posed no threat to surrounding single-family house values (Hoffman, 2003) and “the fear of potential asset-value loss among suburban homeowners is misplaced” (Pollakowski, et. al, 2005: ii). This is important for

communities, especially land use boards and commissions, to understand and embrace. New housing development, including multi-family and even affordable housing, when well designed and aesthetically pleasing, does not negatively impact the value of adjacent or proximate residential development. These findings are consistent with Goman+York's own experience and research related to the property values and development. The fact is, in communities and neighborhoods with more than 50% of housing stock as single-family and more than 50% owner-occupied housing, multi-family housing—affordable or not—does not have negative impacts on property values.

Section VI. Conclusion

This report on housing incentives demonstrates that the Town of East Lyme has many tools (policies and programs) at its disposal to proactively encourage and incentivize affordable housing. Most important, the more tools the Town employs to address affordable housing, the greater the likelihood that East Lyme can and will overcome the impediments to affordable housing. Furthermore, the regulatory modifications and recommendations discussed in *Review and Analysis: Recommended Modifications to the Zoning Regulations* report (and further discussion above) will create more opportunities for a greater diversity of housing and serve a greater diversity of households. The creation of an Affordable Housing Trust Fund, from our perspective, is East Lyme's best opportunity and likely the most effective incentive East Lyme can proactively implement to support the production of affordable housing, especial affordable housing serving the households of greatest need—at or below 50% of AMI. We encourage East Lyme to consider all of the recommended incentives and for East Lyme to implement as many of the incentives as is prudent and feasible.

Sample Ordinance – Town of Fairfield, Connecticut
Affordable Housing Trust Fund

§ 7-1. Purpose.

Pursuant to C.G.S. § 7-148(c)(2)(K), the Town of Fairfield does hereby create a special fund to provide affordable housing for the Town of Fairfield. The Fund shall be known as the "Affordable Housing Trust Fund," hereinafter the "fund." Such fund shall not lapse at the end of the municipal fiscal year.

§ 7-2. Sources of funding; investments; limitations on use of fund.

- A. In addition to such sums as may be directly appropriated by the Town for deposit into said fund (if any), the Town is authorized to and shall deposit all other monies received by it for the purposes of affordable housing, from whatever source such monies are received (the "sources"). The sources may include, but are not limited to, Building Department fees, inclusionary zoning fees, monetary gifts, grants, loans, and monies received from state and federal agencies.
- B. Said fund shall be in the custody of the Town of Fairfield. All or any part of the monies in said fund may be invested in any securities in which public funds may be lawfully invested. All income derived from such investment shall be placed into the fund and become a part thereof. The monies so invested shall at all times be subject to withdrawal for use as hereinafter set forth.
- C. No sums contained in said fund, including interest and dividends earned, shall be transferred to any other account within the Town budget. However, in the event that work is performed by departments of the Town of Fairfield pursuant to this chapter, the cost of said work may be reimbursed from the fund under § 7-3B. No expenditures shall be made from said fund except in accordance with the provisions of this chapter. No expenditures shall be made from the fund in excess of the available balance in the fund.

§ 7-3. Expenditures from fund.

- A. The continuation of the fund shall be perpetual, notwithstanding that from time to time said fund may be unfunded.
- B. Expenditures shall be made from the fund only in accordance with the following procedures and requirements:
 - (1) Said expenditures shall be made exclusively for the costs associated with the investigation, appraisal, acquisition, constructing, rehabilitating, repairing, administration, fees and maintenance costs relating to parcels of land, both improved and unimproved, or development rights, easements, deed restrictions, options, interests or rights therein, the use of which shall be limited to retention or designation of parcels for their long-term use in providing affordable housing within the meaning of C.G.S. § 8-30g.
 - (2) Recommendations for any and all proposed expenditures from the fund shall be submitted to the Affordable Housing Committee (AHC) and the Director of Community and Economic Development for approval. Recommendations from AHC and the Director

of Community and Economic Development for expenditures from the fund shall be submitted, including the sum to be expended, to the Fairfield Board of Selectmen for the approval of the Board of Selectmen.

- (3) The AHC will provide an annual report of the amount in the Housing Trust Fund and the expenditures to members of the

Sample Zoning Provision – Town of Tolland, Connecticut Inclusionary Zoning

Section 16-17. Affordable (Inclusionary) Housing

To forward the recommendations of the Plan of Conservation and Development, to promote the development of affordable housing to meet local and regional housing needs as required by Connecticut General Statutes (CGS) Section 8-2 and Section 8-23, and to promote and increase housing choice, housing diversity, and economic diversity in Tolland, this section requires the inclusion of affordable housing units in all residential developments.

In accordance with CGS, Section 8-2i (Inclusionary Zoning), all residential development of five unit or more that requiring site plan, special permit, or subdivision approval shall include a minimum of 5% of the proposed units as Qualified Affordable Housing. Said Qualified Affordable Housing shall be sold or rented to households with incomes at or below 80% median household income as determined and defined in CGS Section 8-30g and RCSA (Regulations of CT State Agencies) 8-30g-8.

Any application including affordable housing shall be accompanied by a Housing Affordability Plan, prepared in accordance with CGS 8-30g and RCSA 8-30g-7. The Plan shall provide all the necessary information and documentation to ensure the construction and continued operation of the Qualified Affordable Housing units.

In accordance with CGS, Section 8-2i (Inclusionary Zoning), the applicant can satisfy the inclusionary affordability requirements by:

1. Providing 5% of the total proposed units as Qualified Affordable Housing units.
2. Paying a fee-in-lieu of affordable housing equal to \$50,000 per each required unit of Qualified Affordable Housing that will not be constructed. Said fee shall be deposited in the Town of Tolland Affordable Housing Trust Fund.
3. Providing more than 10% of the total proposed units as Qualified Affordable Housing to receive a density bonus equal to one additional market-rate unit for each unit of Qualified Affordable Housing provided.

If a minimum of 10% Qualified Affordable Housing units are to be constructed, the applicant may request to purchase a density bonus up to an additional 10% of the total proposed units, by paying a fee-in-lieu equal to \$50,000 per unit for each additional market rate unit. The Commission reserves the right not to accept a fee-in-lieu of affordable housing or not to grant a density bonus and require that the 5% Qualified Affordable Housing units, as required by this Section, be constructed. The amount (percent) of affordable units shall be evenly distributed throughout the development and evenly

distributed across phases. Affordable units shall proportionate to each phase, and the fee-in-lieu shall be paid before the Certificates of Occupancy are issued more than 50% of the units in the phase or the affordable units shall receive a Certificate of Occupancy before such Certificates are issued for more than 50% of the units in the phase.

In the interest of Fair Housing and the need to promote and encourage affordable housing, the Commission may modify specific requirements of the Zoning Regulations, as part of an application for site plan, special permit, or subdivision, that would otherwise prevent the density bonus from being realized. In doing so, the applicant must make specific request for the necessary modification and list said modifications on the approved plans of the density bonus is accepted.

This inclusionary zoning provision, once adopted by the Zoning Commission, shall become effect once the Tolland Town Council establishes an Affordable Housing Trust Fund or on July 1, 2022, whichever comes first.



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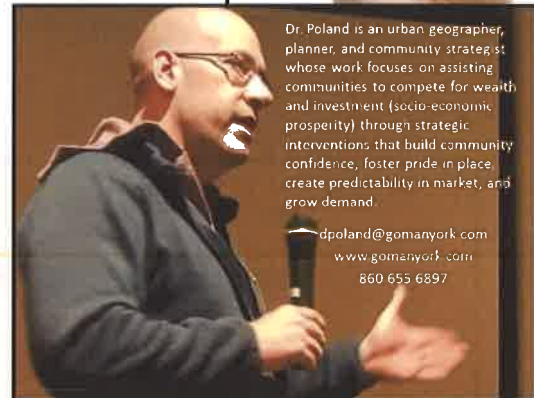
Housing Analysis and Housing Needs Assessment August 5, 2022

East Lyme: Housing Analysis and Housing Needs Assessment

Presentation Overview

The aim of this presentation is to explore the physical and financial characteristics of East Lyme's housing stock and the need for affordable. This presentation will include:

- Housing Stock Characteristics
- Housing Stock Cost Characteristics
- Housing Need Assessment
- Housing Need Versus Demand



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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Housing Stock Characteristics

East Lyme: Housing Analysis and Housing Needs Assessment

East Lyme's Housing Stock

Vacancy rates:

- less than 8% typically indicate strong demand and may signal demand for additional supply.
- less than 5% indicate a very strong market and vacancies are likely the result of naturally occurring turnover.

Household Size by Tenure:

- Single-unit detached (77.9%) and single-unit attached (3.1%) combine total 8,610 (81.0%) housing units—the housing most favorable to homeownership.
- Percentage of single-unit detached housing (77.9%) is slightly higher than owner-occupied (72.8%) housing.
- Average household size of owner-occupied units is 2.48 persons per unit compared to 1.83 persons per rental unit—lower than county and state household size.
- The remaining 19.0% of the housing stock is in various forms of missing middle and multi-family housing.
- East Lyme's housing stock lacks diversity and could benefit from more diversity.
- Seasonal housing is likely impacting some of the numbers.

	East Lyme	New London County	Connecticut
Total housing units	8,610	123,849	1,521,199
Occupied housing units	7,361 (85.5%)	109,616	1,385,437
Vacant housing units	1,249 (14.5%)	14,233	135,762
Owner vacancy rate (%)	0.4	1.9	1.5
Renter vacancy rate (%)	1.0	3.8	5.6

	East Lyme	New London County	Connecticut
Occupied housing units	7,361	109,616	1,385,437
Owner-occupied	5,360 (72.8%)	73,565 (67.1%)	915,408
Renter-occupied	2,001 (27.2%)	36,051 (32.9)	470,029
Average household size of owner-occupied unit	2.48	2.44	2.63
Average household size of renter-occupied unit	1.83	2.09	2.24

	East Lyme	New London County	Connecticut
Total housing units	8,610	123,849	1,521,199
1-unit detached	6,707 (77.9%)	79,926	897,094
1-unit attached	270 (3.1%)	5,477	85,585
2 units	248	10,235	125,289
3 or 4 units	324	8,044	128,352
5 to 9 units	234	6,455	80,405
10 to 19 units	331	3,893	54,136
20 or more units	453	6,399	137,923
Mobile home	43	3,390	11,943
Boat, RV, van, etc.	0	30	472

East Lyme: Housing Analysis and Housing Needs Assessment

East Lyme's Housing Stock

Bedrooms:

- 66.0% of the housing stock has three or more bedrooms.
 - Deserves consideration in the context of the changing demographic structure of households.
 - Household size has been declining for decades, as have the number of households with children.
- Single-family detached housing stock with 3- or more-bedroom units *may* point to a housing stock designed more for past generations—may not serve today's households as well.

Housing Age:

- East Lyme's housing stock is relatively younger than many communities, including the county and state housing stocks, with 50.0% built between 1970 and 2020.

	East Lyme	New London County	Connecticut
Total housing units	8,610	123,849	1,521,199
No bedroom	68 (0.8%)	1,882	34,396
1 bedroom	719 (8.4%)	13,514	193,049
2 bedrooms	2,144 (24.9%)	32,720	408,203
3 bedrooms	3,357 (39.0%)	50,040	554,425
4 bedrooms	1,900 (22.1%)	21,359	261,319
5 or more bedrooms	422 (4.9%)	4,334	69,807

	East Lyme	New London County	Connecticut
Total housing units	8,610	123,849	1,521,199
Built 2014 or later	416 (4.8%)	1,893	23,860
Built 2010 to 2013	338 (3.9%)	1,711	22,107
Built 2000 to 2009	1,010 (11.7%)	11,306	102,986
Built 1990 to 1999	682 (7.9%)	11,253	118,768
Built 1980 to 1989	738 (8.6%)	15,273	188,346
Built 1970 to 1979	1,119 (13.0%)	16,456	204,902
Built 1960 to 1969	1,514 (17.6%)	16,526	206,458
Built 1950 to 1959	1,138 (13.2%)	15,125	223,513
Built 1940 to 1949	366 (4.3%)	5,649	102,488
Built 1939 or earlier	1,289 (15.0%)	28,657	327,771

East Lyme: Housing Analysis and Housing Needs Assessment

The **2021 Home Buyers and Sellers Generational Trends Report**, by the National Association of REALTORS. Summary of findings:

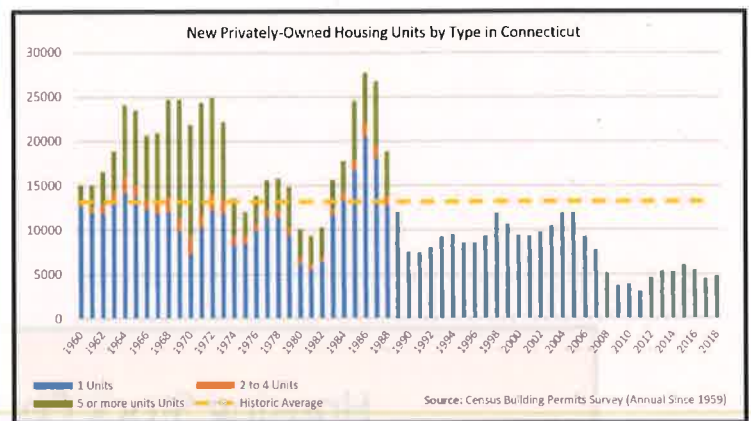
- most common type of home purchase (all generation) continued to be the *detached single-family home*...**81 percent** of all homes bought.
 - *Buyers 22 to 30 purchased townhomes at higher shares than other age groups.*
- *Millennials...more likely than other buyers to purchase in urban areas.* Convenience to job and commuting costs were both more important to this group.
- There was only a median of 15 miles from the homes that recent buyers previously resided in and the homes that they purchased. The median distance moved was highest among buyers 66 to 95 at 35 miles, *while the lowest was among those 22 to 55 at 10 miles.*
- The typical home recently purchased was *1,900 square feet*, had three bedrooms and two bathrooms, and was built in 1993.
 - The size of homes for buyers 41 to 55 years = 2,100 square feet, *buyers 22 to 30 = 1,650*, and buyers 75 years and older at a median of 1,850. *Buyers 66 to 74 typically purchased the newest homes, with the median home being built in 2000.*
- *For buyers 22 to 29 years, commuting costs were very important at 44 percent.* Compared to buyers 65 to 73, windows, doors, and siding were also very important at 33 percent.

While single-family detached housing is still, and will remain, the most popular housing product, its appeal to younger generations is waning. In addition, Millennials are opting more for urban locations, and the distance buyers are moving to a new home is short—these trends are working against the competitiveness of East Lyme's housing stock. However, East Lyme's coastal location will remain competitive.

East Lyme: Housing Analysis and Housing Needs Assessment

State – New Housing Construction

- Prior to 1990, Connecticut was a moderate to high growth state with substantial new housing construction.
- Since the early 1990s, Connecticut's become a stagnant to slow-growth state with anemic new housing construction—reflects stagnant job growth and anemic population growth (weak demand drivers).
- The chart (right) not only shows the contraction in new housing construction, but it also shows the changes in new multi-family housing construction. For example:
 - prior to 1990, a meaningful portion of Connecticut's new housing was multi-family housing.
 - after 1990 less than 20% of new housing was multi-family.
 - since 2013 multi-family housing has grown to approximately 47% of total new housing construction.
 - reflects the changes in demographics and demographic structure and demonstrates the influence of those changes on the housing market.





Housing Stock Cost Characteristics

East Lyme: Housing Analysis and Housing Needs Assessment

Value – Owner-Occupied Housing

- To afford the median owner-occupied home at \$317,100 in East Lyme, a household would need an estimated income of \$105,700.
- This income is \$9,677 higher than East Lyme's median household income of \$96,023.
 - This indicates East Lyme's homeowner housing stock leans toward being less affordable.
- Of the 5,360 owner-occupied housing units in East Lyme, 3,280 or 61.2% have a mortgage and 2,080 or 38.8% do not have a mortgage.
- The median monthly housing costs with a mortgage are \$2,215 and without a mortgage are \$865—the primary difference is the mortgage an interest payments.
- For housing units without a mortgage, the largest monthly housing cost is likely real property taxes.

	East Lyme	New London County	Connecticut
Owner-occupied units	5,360	73,565	915,408
Less than \$50,000	68	3,031	17,908
\$50,000 to \$99,999	7	1,954	26,616
\$100,000 to \$149,999	116	6,892	76,280
\$150,000 to \$199,999	349	12,954	135,429
\$200,000 to \$299,999	1,885	23,362	249,697
\$300,000 to \$499,999	2,201	19,004	255,697
\$500,000 to \$999,999	640	5,299	110,850
\$1,000,000 or more	94	1,069	42,931
Median	\$317,100	\$246,800	\$279,700

	East Lyme	New London County	Connecticut
Housing units with a mortgage	3,280 (61.2%)	48,262 (65.6%)	616,667 (67.4%)
Less than \$500	0 0.0%	103 0.2%	1,225 0.2%
\$500 to \$999	127 3.9%	2,059 4.3%	20,219 3.3%
\$1,000 to \$1,499	318 9.7%	10,039 20.8%	97,767 15.9%
\$1,500 to \$1,999	906 27.6%	15,409 31.9%	156,943 25.5%
\$2,000 to \$2,499	673 20.5%	9,735 20.2%	126,736 20.6%
\$2,500 to \$2,999	543 16.6%	5,443 11.3%	79,801 12.9%
\$3,000 or more	713 21.7%	5,474 11.3%	133,976 21.7%
Median	\$2,215	\$1,853	\$2,127

	East Lyme	New London County	Connecticut
Housing units without a mortgage	2,080 38.8%	25,303 34.4%	298,741 32.6%
Less than \$250	13 0.9%	242 1.0%	2,889 1.0%
\$250 to \$399	8 0.4%	725 2.9%	6,687 2.2%
\$400 to \$599	366 8.6%	4,530 17.9%	31,056 10.4%
\$600 to \$799	521 12.5%	8,283 32.7%	71,754 24.0%
\$800 to \$999	387 18.5%	5,438 21.5%	67,257 22.5%
\$1,000 or more	785 59.1%	6,085 24.0%	119,098 39.9%
Median	\$865	\$774	\$900

East Lyme: Housing Analysis and Housing Needs Assessment

SMOCAPI:

- Is “used to measure housing affordability and excessive shelter costs—excessive costs that exceed 30% of household income.”
- 23.0% of East Lyme’s households with a mortgage and 20.1% of households without a mortgage are paying 30% or more of their household income on housing costs.
- Approximately 21.7% (1,166 households) of owner-occupied housing is unaffordable.
- This does not inform us whether the cost of housing are the result of need (a burden on income) or want (a personal choice).

	East Lyme	New London County	Connecticut
Housing units with a mortgage	3,250	48,183	614,614
Less than 20.0 percent	1,567	21,053	257,454
20.0 to 24.9 percent	475	8,647	102,291
25.0 to 29.9 percent	460	5,820	67,198
30.0 to 34.9 percent	193 (5.9%)	3,043 (6.3%)	44,353
35.0 percent or more	555 (17.1%)	9,620 (20.0%)	143,318
Not computed	35	79	2,053
Housing unit without a mortgage	2,079	25,155	295,939
Less than 10.0 percent	730	8,560	93,098
10.0 to 14.9 percent	392	5,200	61,984
15.0 to 19.9 percent	318	3,212	38,665
20.0 to 24.9 percent	113	1,838	24,801
25.0 to 29.9 percent	108	1,395	16,820
30.0 to 34.9 percent	160 (7.7%)	1,043 (4.1%)	12,396
35.0 percent or more	258 (12.4%)	3,907 (15.5%)	48,175
Not computed	1	148	2,802

East Lyme: Housing Analysis and Housing Needs Assessment

Gross Rent:

- Median gross rent is \$1,320 and 36.5% of renter households pay \$1,500 or more per month for rent.
- In addition, 929 (48.0%) of the rental households are spending 30% or more of their household income on rent.
- Approximately 28.5% (2,095) of East Lyme's households, both owner- and renter-occupied are paying above the affordability threshold for housing.
- This should raise concerns about housing affordability in East Lyme.

	East Lyme	New London County	Connecticut
Occupied units paying rent	1,945	34,749	451,178
Less than \$500	114	2,985	43,229
\$500 to \$999	334	9,285	103,220
\$1,000 to \$1,499	788	14,346	173,291
\$1,500 to \$1,999	454	6,100	80,751
\$2,000 to \$2,499	210	1,426	28,467
\$2,500 to \$2,999	45	465	10,801
\$3,000 or more	0	142	11,419
Median (dollars)	\$1,320	\$1,144	1,201
No rent paid	56	1,302	18,851

	East Lyme	New London County	Connecticut
Occupied units paying rent (excluding units GRAP can't be computed)	1,935	34,749	442,042
Less than 15.0 percent	262	2,985	53,790
15.0 to 19.9 percent	236	9,285	53,929
20.0 to 24.9 percent	267	14,346	54,512
25.0 to 29.9 percent	241	6,100	52,658
30.0 to 34.9 percent	252 (13.0%)	1,426 (10.3%)	40,487
35.0 percent or more	677 (35.0%)	465 (35.7%)	186,666
Not computed	66	142	27,987

East Lyme: Housing Analysis and Housing Needs Assessment

Income by Household:

- While the median household income in East Lyme for all households is \$96,023, median family income is \$125,000, married-couple family median income is \$139,771, and non-family median income is **\$52,722**.
- Family households account for 65.3% of all households and non-family households account for 34.7% of all households.
- Of the family households, 71.6% earn \$75,000 (the minimum income cohort nearest the area median household income) or more per year.
- Conversely, 64.9% of nonfamily households earn less than \$75,000 per year. This indicates that non-family households are more likely to experience housing affordability challenges than family households.
- This difference in family and non-family income is dramatic, but not surprising based on the number of one-person households (26.7% of occupied housing, 20.1% of owner-occupied housing, and 44.4% of renter-occupied housing) and the characteristics of East Lyme's housing stock.

	All Households	Families	Married-Couple Families	Nonfamily
Total	7,361	4,810	4,001	2,551
Less than \$10,000	3.4%	1.6%	0.0%	6.9%
\$10,000 to \$14,999	2.0%	0.5%	0.3%	4.9%
\$15,000 to \$24,999	6.2%	4.7%	4.2%	9.0%
\$25,000 to \$34,999	5.0%	2.4%	0.6%	10.3%
\$35,000 to \$49,999	9.8%	6.5%	5.8%	16.6%
\$50,000 to \$74,999	14.0%	12.6%	10.3%	17.2%
\$75,000 to \$99,999	11.4%	10.2%	10.8%	14.2%
\$100,000 to \$149,999	20.7%	23.8%	24.2%	12.9%
\$150,000 to \$199,999	13.0%	18.0%	20.9%	4.0%
\$200,000 or more	14.5%	19.6%	22.9%	4.0%
Median income	\$96,023	\$125,000	\$139,771	\$52,722

Income by Household:

- All Household [Total]: all people who occupy a housing unit.
- Family Household: contains at least one person related to the householder by birth, marriage, or adoption.
- Married-Couple Family: a husband and wife enumerated as members of the same household. The married couple may or may not have children living with them. The expression "married-couple" before the term "family" indicates that the household or family is maintained by a husband and wife.
- Nonfamily Household: a householder living alone (a one-person household) or where the householder shares the home exclusively with people to whom he/she is not related.



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Housing Need Assessment

East Lyme: Housing Analysis and Housing Needs Assessment

Owner-Occupied Housing Need:

- Greatest need is at household incomes below \$75,000 (approximately 80% AMI and 78% of East Lyme MHI).
- Greatest need for affordable ownership-housing is at and below approximately 80% AMI or ownership-housing valued at or below \$225,000.
- This may, in part, help to explain why 23.0% of East Lyme's households with a mortgage and 20.1% of households without a mortgage are paying 30% or more of their household income on housing costs.

Household Income	<\$15,000	\$15,000-\$24,999	\$25,000-\$34,999	\$35,000-\$49,999	\$50,000-\$74,999	\$75,000-\$99,999	\$100,000-\$149,999	\$150,000+
Households @ Income	205	252	155	323	809	489	1,264	1,863
Est. affordable home Value (HH Income x 2.8) (rounded)	\$42,000	\$70,000	\$98,000	\$140,000	\$210,000	\$280,000	\$420,000	\$560,000
Existing Housing Units	68	7	58	58	349	1,885	2,201	734
Households w/Adequate Income	205	252	155	323	809	489	1,264	1,863
Units Available Vs Adequate Income	-137	-245	-97	-265	-460	1,396	937	-1,129

East Lyme: Housing Analysis and Housing Needs Assessment

Renter-Occupied Housing Need:

- Greatest need for affordable rental housing is at incomes at or below \$15,000 (19% AMI and below).
- 176 fewer rental housing units available than number of households with incomes below \$15,000. These are the highest at-risk populations with the greatest need.
- At incomes above \$15,000 and below \$35,000 (20% to 33% AMI), there are 73 fewer rental housing units available than the number of households (market is undersupplied, and there is a need for affordable rental housing).
- At incomes of \$35,000 to \$74,999, there are 1,242 more housing units than households.
- Together, the \$35,000 to \$74,999 show that the 33% to 80% AIM segment of the market is being served by the existing rental product.

Household Income	Less than \$15,000	\$15,000- \$24,999	\$25,000- \$34,999	\$35,000- \$49,999	\$50,000- \$74,999	\$75,000- \$99,999	\$100,000- \$149,999	\$150,000 or more
Households @ Income	198	129	216	395	218	347	260	165
Est. affordable monthly rent Value (HH Income x 0.30)	\$375	\$625	\$875	\$1,250	\$1,875	\$2,500	\$3,750	\$3,750+
Existing Housing (Household) Units	22	129	289	788	454	210	45	0
Households w/Adequate Income	198	202	216	395	218	347	260	165
Units Available Vs Adequate Income	-176	-73	73	393	236	-137	-215	-165

East Lyme: Housing Analysis and Housing Needs Assessment

Household Type by Size, Tenure, and Age:

- Understanding household type by size, tenure, and age helps to better inform us as to the type of households that are most likely being impacted by the lack of affordable housing. For example:
 - the data *may* explain the earlier discussion on the SMOCAPI data and 23.0% of East Lyme's households with a mortgage and 20.1% of households without a mortgage are paying 30% or more of their household income on housing costs.
 - The large number (1,654 or 30.9%) of 65+ year old owner-occupied householders may be retirees and/or widows(ers) on fixed incomes with or without mortgages.
 - The 44.4% one-person renter households or the 36.4% two-person renter households.

Household Type	Occupied Units	Occupied Per cent	Owner Units	Owner Per cent	Rental Units	Rental Per cent
Occupied Housing Units	7,361	100%	5,360	100%	2,001	100%
1 – Person Household	1,969	26.7%	1,080	20.1%	889	44.4%
2 – Person Household	3,068	41.7%	2,340	43.7%	728	36.4%
3 – Person Household	935	12.7%	718	13.4%	217	10.8%
4-or-more– Person Household	1,389	18.9%	1,222	22.8%	167	8.3%
Family Households	4,810	65.3%	4,051	75.6%	759	37.9%
Married-Couple Family	4,001	54.4%	3,451	64.4%	550	27.5%
Householder 65+	1,231	16.7%	1,072	20.0%	159	7.9%
Other Family	809	11.0%	600	11.2%	209	10.4%
Non-Family Households	2,551	34.7%	1,309	24.4%	1,242	62.1%
Householder Living Alone	1,969	26.7%	1,080	20.1%	889	44.4%
Householder 65+	973	13.2%	582	10.9%	391	19.5%
Householder Not Living Alone	582	7.9%	229	4.3%	353	17.6%
Householder 65+	160	2.2%	160	3.0%	0	0.0%

	All Households	Families	Married-Couple Families	Nonfamily
Total	7,361	4,810	4,001	2,551
Less than \$10,000	3.4%	1.6%	0.0%	6.9%
\$10,000 to \$14,999	2.0%	0.5%	0.3%	4.9%
\$15,000 to \$24,999	6.2%	4.7%	4.2%	9.0%
\$25,000 to \$34,999	5.0%	2.4%	0.6%	10.3%
\$35,000 to \$49,999	9.8%	6.5%	5.8%	16.6%
\$50,000 to \$74,999	14.0%	12.6%	10.3%	17.2%
\$75,000 to \$99,999	11.4%	10.2%	10.8%	14.2%
\$100,000 to \$149,999	20.7%	23.8%	24.2%	12.9%
\$150,000 to \$199,999	13.0%	18.0%	20.9%	4.0%
\$200,000 or more	14.5%	19.6%	22.9%	4.0%
Median income	\$96,023	\$125,000	\$139,771	\$52,722



Housing Need Versus Housing Demand

East Lyme: Housing Analysis and Housing Needs Assessment

Housing Need, Demand, and Affordable Housing Production:

- To reach 10%, based on the existing 8,610 total housing units, East Lyme would need to add 341 qualified affordable housing units—keep in mind the numerator and denominator are moving targets.
- If East Lyme were to require 10% of all new housing construction be affordable, East Lyme would have to add 3,410 total units (if 20% affordable new construction were required, 1,705 new housing units would need to be added) to add 341 affordable units.
- To achieve the 607 units in 10 years, East Lyme would have to build 34 qualified affordable housing units each year—the historic 25-year *absorption rate for all housing is 73 units per year*.
- To achieve the 341 qualified affordable units in 20 years, East Lyme would have to add 68 units per year or 93% of the historic absorption.
- At the 25-year historic absorption rate, it would take 100 years to add 3,410 housing units in East Lyme—*soft- to weak-market demand for housing is the greatest barrier to affordable housing in Connecticut and East Lyme*.
- It is unreasonable to expect that East Lyme can achieve the 8-30g imposed 10% fair share affordable in a realistic amount of time.

Year	Total Units	1-Unit	2-Unit	3-4-Unit	5+ Unit	Demo	Net Gain
2021	50	44	0	0	6	22	28
2020	84	64	0	0	20	7	77
2019	82	36	0	4	42	14	68
2018	30	18	0	0	12	9	21
2017	31	16	0	0	15	7	24
2016	28	24	0	4	0	22	6
2015	106	37	0	4	65	15	91
2014	363	38	0	4	321	14	349
2013	37	37	0	0	0	10	27
2012	39	21	10	8	0	9	30
2011	28	22	2	4	0	0	28
2010	32	32	0	0	0	11	21
2009	20	20	0	0	0	0	20
2008	27	27	0	0	0	7	20
2007	116	39	2	4	71	5	111
2006	180	83	0	0	97	0	180
2005	127	127	0	0	0	11	116
2004	90	88	2	0	0	10	80
2003	76	76	0	0	0	11	65
2002	72	72	0	0	0	7	65
2001	72	70	2	0	0	12	60
2000	74	74	0	0	0	10	64
1999	71	71	0	0	0	7	64
1998	140	80	0	0	60	4	136
1997	83	83	0	0	0	1	82
Total	2,058	1,299	18	32	709	225	1,833
Percent	100%	63.1%	1.0%	1.5%	34.5%	10.9%	89.1%



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.

