



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

February 3, 2011

The Honorable Dannel P. Malloy
Governor
Room 202, State Capitol
Hartford, CT 06106-1591

Re: Annual Report on the Incentive Housing Zone Program

Dear Governor Malloy:

Pursuant to Section 46 (b) of Public Act 07-4, AN ACT IMPLEMENTING THE PROVISIONS OF THE BUDGET CONCERNING GENERAL GOVERNMENT, Sections 38 to 50 inclusive and Section 11-4a of the Connecticut General Statutes, I am pleased to submit to you OPM's 2010 annual report on the Incentive Housing Zone Program (a.k.a HomeConnecticut).

This report summarizes program activities that occurred during FY 10 including an attachment that provides summary data on the applications received to date.

There is a considerable interest in the creation of affordable housing across the State as evidenced by the 50 municipalities that have been approved for Technical Assistance grant funds to assist them with assessing the need for affordable housing and creating the Incentive Housing Zones (IHZ) within their communities. Towns of East Lyme, New London, Old Saybrook, and Sharon have already been provided final approval of their adopted IHZs under the zone adoption phase of the program. I expect that few more of these approved communities will be submitting applications for zone adoption payment grants by the fall of 2011.

Should you have any questions, please call me or Dimple Desai, of my staff, at (860) 418-6412 or email him at dimple.desai@ct.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Benjamin Barnes".

Benjamin Barnes
Secretary

OFFICE OF POLICY AND MANAGEMENT

ANNUAL REPORT

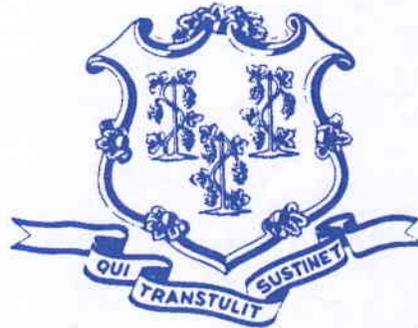
TO

THE GOVERNOR
AND
THE GENERAL ASSEMBLY

ON

INCENTIVE HOUSING ZONES

In accordance with Section 8-13u of the Connecticut General Statutes



Benjamin Barnes
SECRETARY

JANUARY 2011

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Authorizing Legislation

Public Act 07-4 of the June Special Session, AN ACT IMPLEMENTING THE PROVISIONS OF THE BUDGET CONCERNING GENERAL GOVERNMENT, Sections 38 to 50 inclusive (Connecticut General Statutes Sec. 8-13m through Sec. 8-13x)

Section 46 (b) of this Act stipulates that each year, on January 1, 2009, and annually thereafter, the Secretary of the Office of Policy and Management shall submit an annual report on the program to the Governor and the General Assembly in accordance with section 11-4a of the Connecticut General Statutes (C.G.S). This is the third such annual report.

Section 33 of this Act also created a Blue Ribbon Commission on Housing and Economic Development to study housing affordability needs of the state and the impact of such needs on economic growth and development. The Commission filed its final report on January 12, 2009, which included the following findings concerning the affordable housing situation in Connecticut:

- The most recent Out of Reach report by the National Low Income Housing Coalition indicates that rents continue to rise in Connecticut, making it increasingly difficult for low-income households to afford rental units. The 2007-2008 report shows that the state's housing wage, the hourly wage needed to afford the typical two-bedroom apartment, rose to \$21.11/hour, up from \$20.42 in 2006 and \$19.30 in 2005. A person earning minimum wage would need to work 110 hours a week to earn enough to afford the typical two-bedroom apartment.
- 72% of the jobs projected by the State Department of Labor to be created through 2014 in Connecticut pay less than \$40,000.
- As of 2007, 26% of Connecticut households earned 80% of the median income or less and spent 30% of that income or more on housing.
- Almost a fourth of the estimated 396,271 renting households in Connecticut earn 50% of median income or less and spend at least half that meager income on housing according to 2007 Census data.
- A 2007 study by the Federal Reserve Bank of Boston New England Public Policy Center indicated that there is only one affordable and available housing unit for every three low income households in Connecticut that need one.
- A 2007 study by the HOMEConnecticut Campaign found that a household earning the median income would not qualify for a mortgage for the median sales priced home in 142 of Connecticut's 169 towns. This indicates that despite the downturn in the housing market, prices still remain high for many of Connecticut's households.

Program Overview

Incentive Housing Zones (IHZ) established under Connecticut's Housing for Economic Growth (HEG) Program help municipalities of all types and sizes plan for and create mixed-income housing that is critical to attracting and retaining young professionals, working families, retirees, and people in critical professions, such as firefighters, police officers, teachers and nurses.

Public Act 07-4 provides incentives for municipalities to create IHZs in eligible locations, such as near transit facilities, an area of concentrated development or an area that because of existing, planned or proposed infrastructure is suitable for development as an IHZ. Developable land excludes public and privately owned property slated for public uses, parks, recreation areas, dedicated open space land, other land where restrictions prohibit development, wetlands or watercourses and areas exceeding one-half or more acres of contiguous land where steep slopes or other topographic features make it unsuitable for development.

Incentive Housing Development (IHD) means a residential or mixed-use development that meets the following criteria: (A) is located within an approved IHZ, (B) is eligible for financial incentive payments, and (C) sets aside lower cost units for a minimum of 20% of the households earning 80% or less of area median income (AMI) for 30 years. A unit is affordable if it costs no more than 30% of a person's annual income to live there.

The town's zoning commission must establish the IHZ as an overlay zone. The town receives the incentives only for IHDs that are developed in a state-approved IHZ.

Program Status

The State of Connecticut will continue to face difficult economic and fiscal challenges for the foreseeable future. As a result, no additional funds were made available for the HEG program in the 2009-2011 biennial budget.

Furthermore, the HEG program was on the list of programs facing potentially significant cuts as part of the deficit mitigation plan. Due to this uncertainty regarding available funding for the HEG program, OPM suspended its review of new municipal Technical Assistance (TA) Grant applications for an undetermined period. However, in January 2010, OPM awarded \$20,000 to each of the 15 municipalities that had applied for funds before the suspension of the applications.

Aside from the overall budget uncertainty, the TA grant portion of the HEG program has been so well received that it was straining the balance of program funds for the two remaining implementation stages – the Zone Adoption Grants and Building Permit Grants. In order to improve the likelihood that some meaningful level of funding will be available for the implementation stages of the program, OPM proposed a minor amendment to the IHZ Statute that relates to the incentive payments, which was approved by the legislature in 2009. This amendment allows for OPM discretion in providing grant amounts “up to” \$2,000 per unit for the zone adoption phase. For the building permit phase, OPM can award grants “up to” \$2,000 for multifamily units and “up to” \$5,000 for single-family units. This amendment allows OPM to stretch its scarce dollars and still reward municipalities that create IHZs and affordable housing.

Therefore, in the best interest of the overall program, OPM has developed policy changes for managing the program going forward on a significantly reduced budget. Obviously, if additional State or Federal funds become available we would be willing to revisit these new funding policies. These policy changes are discussed in detail in the Funding Incentives section.

Incentive Housing Zone Requirements (must satisfy 1-7 below)

1. The zone shall be consistent with the State Plan of Conservation and Development and be located in an eligible location
2. Regulations of the zone shall permit, as of right, incentive housing development
3. The zone must comply with minimum allowable density requirements
 - 6 units/acre for single-family housing
 - 10 units/acre for duplex or townhouse housing
 - 20 units/acre for multifamily housing
 - For smaller communities, lower densities of 4/6/10 units are allowed but must have OPM approval

NOTE:

OPM may waive density requirements for land “owned or controlled” by a municipality, land trust, housing trust fund, or non-profit housing agency, provided development will be 100% set aside at 80% of AMI

4. The minimum as of right density allowed by the zone must increase the density allowed by the underlying zone by *at least 25%*
5. Zone requirements are subject to site plan or subdivision procedures, but not subject to special permit or special exception procedures/requirements/standards
6. The IHZ may consist of one or more sub-zones

7. The land area of an IHZ shall not exceed ten per cent of the total land area in the municipality. The aggregate land area of all IHZs and subzones in a municipality shall not exceed twenty-five per cent of the total land area in the municipality.

Other considerations

- In order to support the requirements of the IHZ, the zoning commission may modify, waive or delete dimensional standards contained in the zones that underlie the IHZ
- The regulations of an IHZ may allow for a mix of business, commercial or other nonresidential uses provided that these uses comply with the requirements of PA 07-4, and are consistent with the density requirements
- An IHZ may overlay all or any part of an existing historic district or districts
- An applicant for site plan or subdivision approval may exceed the minimum requirements of the IHZ
- A zoning commission, at the time of its adoption of regulations for an IHZ, may adopt design standards for the IHD

Funding Incentives

Technical Assistance Grants

The Secretary may make technical assistance grants to municipalities for planning of IHZs, the adoption of IHZ regulations and design standards, and the review and revision, as needed, of applicable subdivision regulations and applications.

A total of 35 applications have been approved for a maximum of up to \$50,000. Another 15 applications were received by OPM before the indefinite suspension of the TA phase of the program, and OPM decided to approve them for a maximum of \$20,000. OPM has worked with these municipalities to identify resources such as draft sample regulations, design standards, housing needs assessment, etc., to accomplish the tasks within the reduced grant amount. Four (4) applications were received after the suspension and were not reviewed for funding.

Zone Adoption Grants

Subject to availability of funds, the zone adoption payment will be up to \$2,000 per unit. The projects will be prioritized and funding amounts will be determined on a case-by-case basis meeting responsible growth goals

in addition to the statutory requirements. Examples of such goals include, but are not limited to:

- Location of the proposed zone
- Readiness of the project
- Proximity to transportation facilities
- Regulations/project meeting responsible growth goals
- Payments will be limited to the number of units that can physically be constructed in the overlay zones as a matter of right

The applicant submits the proposed incentive housing zone or zones, the draft IHZ regulations and the draft design standards (if applicable) and other required information as per the Zone Adoption Application and Instructions Form. Any required information missing from the application may delay the application approval and may result in the loss of funding, regardless of the date the application was submitted to OPM.

Since opening up the available funds for the zone adoption phase of the program, 6 municipalities have applied for approval of their IHZs. These municipalities are East Lyme, New London, Old Saybrook, Sharon, Torrington, and Wallingford. On October 27, 2010, OPM provided "preliminary determination" that their application is eligible for zone adoption payments. As per the Public Act, OPM asked these applicants to have their zoning commission adopt and certify that the zoning commission has adopted these regulations and design standards. On December 21, 2010, OPM provided final approval to four communities (East Lyme, New London, Old Saybrook, and Sharon). The funding level will be determined once all the municipalities who have received a preliminary approval has gone through the local incentive housing zone adoption process and once the total number of units created within these municipalities is determined.

Building Permit Grants

Subject to availability of funds and municipal compliance with PA 07-4, sections 38-49, the Secretary shall issue a one-time building permit payment for each building permit issued for a residential housing unit in an approved IHD as follows:

- The amount shall be up to \$2,000 for each multifamily housing unit, duplex unit or townhouse unit
- The amount shall be up to \$5,000 for each single-family detached unit
- Such payments shall be made no later than 60 days after receipt of proof as required by the statute

- Residential units related to housing for older persons permitted by the federal Fair Housing Act, or sections 46a-64c and 46a-64d of the C.G.S., shall not be eligible for payments under this statute

Application Process

Technical Assistance Grants

- Since April 1, 2008, OPM has been accepting applications for technical assistance from interested municipalities. Grant awards were limited to a maximum of \$50,000 per municipality prior to March 2009. OPM has since limited the technical assistance funds to \$20,000 per municipality, and is not seeking any new TA applications. OPM has reduced the funds because of the budget deficit and the fact that no new funds have been budgeted for this program. Towns can use the funds for planning of IHZs, the adoption of IHZ regulations and design standards, the review and revision, as needed, of applicable subdivision regulations. Towns can also use the funds to prepare applications to the Secretary for preliminary determination and/or final approval.

Zone Adoption Application Process

- On or before June 30, 2017, a municipality may file an application for **preliminary determination** of eligibility for a zone adoption payment
- An applicant shall meet the requirements of PA 07-4, Sec. 41
- 60 days after receipt, OPM issues in writing, a preliminary determination of the eligibility of the municipality for the financial incentive payments
- 30 days before such determination, the Secretary shall electronically give notice of the application to all persons who have provided the Secretary with a current electronic mail address and a written request to receive such notices
- If a determination is made that the application is not eligible, incomplete, etc., the Secretary must notify the municipality of the reasons for such determination within 60 days
- A municipality may reapply after addressing the reasons for ineligibility
- The Secretary's failure to issue a written response within 60 days of receipt shall be deemed to be a disapproval, and the municipality may reapply
- After receipt of the preliminary letter of eligibility, the zoning commission may adopt the IHZ regulations and design standards

- Within 30 days after receipt from the municipality of a written statement that its zoning commission has adopted the proposed regulations and standards, the Secretary shall issue a **letter of final approval** of the IHZ
- **Amendments** to the regulations or design standards – the municipality shall notify the Secretary of any amendments and the Secretary shall approve or disapprove such amendments within 60 days

Annual Report on the program:

Section 46 (b) of the Act requires OPM to report on the following program accomplishments for the period ending the last day of the prior fiscal year:

(1) Identify and describe the status of municipalities actively seeking letters of eligibility;

Six municipalities (East Lyme, New London, Old Saybrook, Sharon, Torrington, and Wallingford) had sought letters of eligibility and OPM provided letters of eligibility to these municipalities on October 27, 2010.

(2) Identify approved incentive housing zones and the amounts and anticipated schedule of zone adoption and building permit payments under section 44 of this act during the prior and current fiscal year;

On November 21, 2010, OPM provided final approval of incentive housing zones for four municipalities (East Lyme, New London, Old Saybrook and Sharon). The amount of funding will be determined once all the municipalities who have received a preliminary approval has gone through the local incentive housing zone adoption process and once the total number of units created within these municipalities is determined. Payments for zone adoption are anticipated by early Spring of 2011. OPM has not approved any building permit payments.

(3) Summarize the amount of land area zoned for particular types of development in both proposed and approved zones and the number of developments being reviewed by zoning commissions under section 45 of this act, including the number and type of proposed residential units, the number of building permits issued, the number of completed housing units and their type;

East Lyme – It has adopted an IHZ that totals 9.8 acres in two different areas of the town.

New London – It has adopted an IHZ that totals 73 acres in three different areas of the City.

Old Saybrook – It has adopted an IHZ that totals 5.6 acres.

Sharon – It has adopted an IHZ that totals 7.7 acres in two different areas of the town.

Torrington – The City adopted its IHZ on January 26, 2011. The next step for the City is to notify OPM of this adoption to get a final approval from OPM.

Wallingford – Wallingford’s Planning and Zoning Commission held a public hearing on its IHZ on December 20, 2010 but because of concerns raised by several individuals at the hearing, the Commission withdrew their proposal.

OPM has provided final approval of IHZ to East Lyme, New London, Old Saybrook and Sharon.

Old Saybrook has a developer who is working on incentive housing development at the site to create 16 affordable housing units. The remaining 5 communities do not have developments being reviewed by zoning commissions.

(4) State the amount of zone adoption and building permit payments made to each municipality; and

The amount of funding will be determined once all the municipalities who have received a preliminary approval has gone through the local incentive housing zone adoption process and once the total number of units created within these municipalities is determined.

(5) For the current and immediately succeeding fiscal years, estimate (A) the anticipated number and size of proposed new incentive housing zones over such time period; (B) the number and size of new incentive housing zones that may be approved over such time period; (C) the potential number of residential units to be allowed in such new and proposed incentive housing zones; and (D) anticipated construction of housing over such time period.

Based on Old Saybrook's application for zone adoption, it is estimated that about 16 units will be created. The non-profit developer has secured local permits and construction funding. It is anticipated that the construction will begin in Spring of 2011.

Currently a few municipalities are in the process of finalizing the locations of IHZ and drafting the design standards. It is not known at this time as to how many of these municipalities will submit an application for zone adoption payments, primarily because of lack of State incentive funding. Because there are no potential actual projects proposed within the OPM approved IHZs, the construction time frames cannot be estimated.

Appendix A provides a summary of the municipalities that have been approved for Technical Assistance grants and Zone Adoption Payment as of the close of FY 10 . OPM is no longer actively seeking Technical Assistance (TA) grant applications from municipalities. As discussed earlier, 50 municipalities have been approved and are under contract for TA funding. Four municipalities submitted TA grant applications after OPM suspended the program, and there are no current plans to review those applications.

Currently, municipal grant recipients are working on various tasks such as identifying appropriate Incentive Housing Zone locations, drafting regulations and preparing design standards.

APPENDIX A
Housing for Economic Growth Program Application Status

Municipality	Population	Region	Amount approved	Status of IHZ *
				* All the municipalities except identified below are at various stages starting from RFP for hiring consultants to conducting public informational meetings to drafting of IHZ regulations and design standards
Barkhamsted	3,708	Litchfield Hills	\$0	
Beacon Falls	5,711	Central Naug. Valley	\$50,000	
Berlin	20,137	Central CT	\$20,000	
Bloomfield	20,643	Capitol	\$0	
Bolton	5142	Capitol	\$20,000	
Branford	29,083	South Central	\$50,000	
Bridgeport	138,166	Greater Bridgeport	\$35,000	
Bristol	61,258	Central CT	\$20,000	
Cannan (Falls Village)	1,103	Northwestern CT	\$43,000	
Canterbury	5,102	Northeastern CT	\$50,000	
Clinton	13,638	CT River Estuary	\$0	
Colchester	15,421	Southeastern CT	\$50,000	
Cornwall	1,489	Northwestern CT	\$43,000	
Coventry	12,215	Windham	\$50,000	
Cromwell	13,540	Midstate	\$20,000	
Darien	20,431	South Western	\$45,900	
East Hampton	12,459	Midstate	\$50,000	
East Hartford	48,934	Capitol	\$50,000	
East Lyme	18,321	Southeastern CT	\$50,000	OPM provided final approval of their adopted IHZ
East Windsor	10,563	Capitol	\$20,000	
Ellington	14,370	Capitol	\$45,000	
Essex	6,776	CT River Estuary	\$45,000	
Goshen	3,154	Litchfield Hills	\$43,000	
Hamden	57,944	South Central	\$20,000	
Hebron	9,238	Capitol	\$20,000	
Ledyard	15,100	Southeastern CT	\$50,000	
Middlefield	4,281	Midstate	\$0	
Middletown	47,528	Midstate	\$20,000	
New Britain	70,855	Central CT	\$50,000	
New Canaan	19,976	South Western	\$20,000	
New Haven	124,220	South Central	\$20,000	
New London	25,979	Southeastern CT	\$50,000	OPM provided final approval of their adopted IHZ
Newtown	27,034	Housatonic Valley	\$50,000	
Norfolk	1,678	Litchfield Hills	\$32,300	
Norwalk	84,344	South Western	\$20,000	
Old Saybrook	10,581	CT River Estuary	\$50,000	OPM provided final approval of their adopted IHZ
Oxford	12,333	Central Naug. Valley	\$50,000	
Plainville	17,312	Central CT	\$50,000	
Plymouth	12,164	Central CT	\$50,000	
Portland	9,595	Midstate	\$50,000	
Putnam	9,325	Northeastern CT	\$20,000	
Redding	8,919	Housatonic Valley	\$20,000	
Salisbury	4,047	Northwestern CT	\$39,860	
Sharon	3,058	Northwestern CT	\$34,300	OPM provided final approval of their adopted IHZ
Simsbury	23,660	Capitol	\$49,900	
Thomston	7,922	Central Naug. Valley	\$45,000	
Tolland	14,699	Capitol	\$50,000	
Torrington	35,931	Litchfield Hills	\$50,000	Torrington has adopted the IHZ, next step is for OPM to provide the final approval
Wallingford	44,825	South Central	\$50,000	OPM has provided a preliminary approval of eligibility of their IHZ, town will be working with P&Z for the approval of the IHZ
Watertown	22,347	Central Naug. Valley	\$20,000	
West Haven	52,820	South Central	\$50,000	
Westbrook	6,617	CT River Estuary	\$50,000	
Winchester	10,870	Litchfield Hills	\$20,000	
Windham	23,810	Windham	\$50,000	
Rev. Jan. 2011			\$1,951,260	