



Evonne M. Klein
Commissioner

Department of Housing

Connecticut
still revolutionary

December 31, 2013

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 the Department of Housing's annual report on the Incentive Housing Zone (IHZ) Program (a.k.a. HomeConnecticut).

This report summarizes program activities that occurred during FY13 including attachments that provide summary data on the participating municipalities to date.

Since the IHZ program's inception in 2008, the state has provided Technical Assistance funds to sixty municipalities, including ten municipalities that were awarded TA funds in July 2013. Seven municipalities have adopted approved zones and two of them have completed housing projects in their approved IHZs. DOH is currently accepting applications for IHZ predevelopment funding, which are due by January 31, 2014.

If you have any questions, please contact Dimple Desai, Community Development Director, at 860-270-8012 or Dimple.Desai@ct.gov.

Sincerely,

Evonne Klein
Commissioner

CC: Mr. Garey E. Coleman, Clerk of the Senate
Mr. Martin J. Dunleavy, Clerk of the House
Mr. Kendall F. Wiggin, State Librarian

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DEPARTMENT OF HOUSING

ANNUAL REPORT

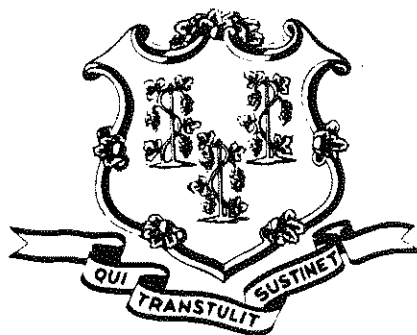
TO

THE GOVERNOR
AND
THE GENERAL ASSEMBLY

ON

INCENTIVE HOUSING ZONES

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



EVONNE KLEIN
COMMISSIONER

January 2014

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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 Commissioner of the Department of Housing 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).

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 within such zones 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 at least 20% of the units for households earning 80% or less of the area median income (AMI) for minimum of 30 years. The accepted definition of an affordable unit of housing is for a household to pay no more than 30% of its income on housing.

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

Section 13 (e) of Public Act 13-239 provided \$2.0 million in new funding for the incentive housing program.

Section 9(a) (2) of Public Act 12-289 and Section 122 of Public Act 12-1 of the June Special Session (JSS) provided \$2.0 million in new funding for predevelopment activities. Furthermore, Sections 181 and 182 of Public Act 12-1, JSS amended certain provisions of the IHZ Program, which are highlighted below:

- Allows a municipality that has filed an application for preliminary determination of eligibility for a zone adoption payment to waive its rights to receive such payment. This will allow for adoption of the IHZs to continue in event the funding is depleted.
- Changed the zone adoption payment from a per unit basis to a lump sum of up to \$50,000.
- Prohibits a municipality from receiving additional zone adoption payments until construction has started in the IHZ for which the municipality has received the previous zone adoption payment.
- Added a provision that allows DOH to make grants for "predevelopment" activities.

In February 2013, DOH issued a letter of Preliminary Determination of Eligibility for Incentive Payments and subsequently in October 2013, DOH issued the Final Approval to the Town of Westbrook for adopting the Incentive Housing Zone.

In June 2013, DOH issued a letter of Preliminary Determination of Eligibility for Incentive Payments and subsequently in October 2013, DOH issued the Final Approval to the Town of Windham for adopting the Incentive Housing Zone.

Proposed Incentive Housing Developments

Sharon Ridge affordable housing complex - Sharon, CT

Sharon Housing Authority in partnership with the Women's Institute for Housing and Economic Development broke ground in June 2013 to construct 12 townhouses which will be rented to families earning 50% and 60% of AMI. The project is under construction and is slated to be completed by Spring of 2014.

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 DOH approval

NOTE:

DOH 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 and Predevelopment Grants

The Commissioner may make 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.

Predevelopment Funds

Municipalities may apply for Phase I and Phase II predevelopment funds as follows:

Phase I predevelopment – up to \$20,000 - activities include legal/planning expenses for drafting/adoption of IHZ regulations or design standards, feasibility studies for septic systems, other minor engineering studies.

Phase II predevelopment – up to \$50,000 for mixed income housing project specific activities, DOH may increase the limit on a case by case basis – activities include costs for land purchase options, planning/design costs, certain preliminary engineering costs, appraisals, legal and financial expenses, costs of permits and approvals, and other preliminary project costs as approved by the Commissioner.

- This funding will be provided to the municipality for their project use or if there is a developer, to pass through the funds to the project developers.
- This funding is for municipalities for projects (municipal or private) meeting the requirements of CGS Section 8-13 (m-x).
- In case of pass through, municipalities will be required to have an agreement with the private developer or property owner to return the funds to the municipality if the project does not result in construction of a mixed income housing project as described in the application.

Since 2008, 50 applications have been approved totaling approximately \$2.0 million. In 2013, DOH approved an additional 10 applicants for predevelopment funding totaling \$197,800. **DOH is currently accepting predevelopment applications, which are due by January 31, 2014.**

Zone Adoption Grants

Subject to availability of funds, the zone adoption payment will be up to \$50,000 lump sum. The projects will be prioritized and currently the funding amount is limited to \$20,000 lump sum per IHZ. 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

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 DOH.

Building Permit Grants

Subject to availability of funds and municipal compliance with PA 07-4, sections 38-49, the Commissioner 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.

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, DOH issues in writing, a preliminary determination of the eligibility of the municipality for the financial incentive payments.
- 30 days before such determination, the Commissioner shall electronically give notice of the application to all persons who have provided the

Commissioner 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 Commissioner must notify the municipality of the reasons for such determination within 60 days.
- A municipality may reapply after addressing the reasons for ineligibility
- The Commissioner'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 Commissioner shall issue a **letter of final approval** of the IHZ.
- **Amendments** to the regulations or design standards – the municipality shall notify the Commissioner of any amendments and the Commissioner shall approve or disapprove such amendments within 60 days.

Annual Report on the program:

Section 46 (b) of the Act requires DOH 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;

During 2013, four municipalities (Canaan/Falls Village, Watertown, Westbrook and Windham) sought preliminary determination of eligibility. These four municipalities were provided the determination of eligibility so that they can continue with their next phase of the project, i.e. adoption phase.

(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 October 31, 2013, DOH provided final approval of incentive housing zones to two municipalities (Westbrook and Windham). In March 2013, DOH provided \$15,000 to Old Saybrook for the building permit phase of the program.

(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;

Canaan/Falls Village is proposing to create a 100% affordable 14 unit townhouse development on 66 acres.

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

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

Old Saybrook adopted an IHZ that totals 5.6 acres. Building permits have been issued for 16 townhouses and the project is completed and fully occupied.

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

Torrington adopted its IHZ that totals 15.96 acres.

Wallingford's Planning and Zoning Commission, during its September 2013 meeting, decided to take up a resolution approving the IHZ regulations in the near future.

Watertown is going through the adoption process for its IHZ that totals 4.61 acres of an undeveloped parcel in the Oakville Village area. It will create 20 new housing units, 4 of which will be affordable units. DOH has provided preliminary determination of eligibility for incentive payments.

Westbrook adopted an IHZ that totals 3.25 acres.

Windham adopted an IHZ, comprised of 4 different zones, that totals 10.35 acres.

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

DOH made a payment of \$20,000 to five municipalities (East Lyme, New London, Old Saybrook, Sharon and Torrington) that have adopted an incentive housing zone. Old Saybrook was awarded a building permit payment of \$15,000.

(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.

Ferry Crossing project in Old Saybrook is complete and the grand opening was held on June 13, 2012.

Sharon Housing Authority in partnership with the Women's Institute for Housing and Economic Development broke ground in June 2013 to construct 12 townhouses which will be rented to families earning 50% and 60% of AMI. The project is under construction and is slated to be completed by Spring of 2014.

Wallingford's Planning and Zoning Commission, during its September 2013 meeting, decided to take up a resolution approving IHZ regulations in the near future.

Watertown is going through the adoption process for its IHZ that totals 4.61 acres of an undeveloped parcel in the Oakville Village area. It will create 20 new housing units, 4 of which will be affordable units. DOH has provided preliminary determination of eligibility for incentive payments.

Currently other municipalities are in the process of finalizing the locations of their incentive housing zones 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. Because there are no other projects proposed within the DOH 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 Payments as of the close of FY 13. As discussed earlier, 50 municipalities have been approved and are under contract for TA funding.

Appendix B provides a list of the 10 municipalities that received predevelopment grants from DOH in July 2013 totaling \$197,800.

Currently, municipal grant recipients are working on various tasks such as identifying appropriate Incentive Housing Zone locations, drafting regulations and preparing design standards. DOH is seeking funding applications from eligible municipalities for predevelopment funding. The deadline for this application is January 31, 2014.

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	DOH Provided preliminary determination of eligibility
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	DOH 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	DOH 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	DOH 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	DOH 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	DOH provided final approval of their adopted IHZ
Wallingford	44,825	South Central	\$50,000	DOH 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	DOH Provided preliminary determination of eligibility
West Haven	52,820	South Central	\$50,000	
Westbrook	6,617	CT River Estuary	\$50,000	DOH provided final approval of their adopted IHZ
Winchester	10,870	Litchfield Hills	\$20,000	
Windham	23,810	Windham	\$50,000	DOH provided final approval of their adopted IHZ
Rev. Dec. 2013			\$1,951,260	

Appendix B

Municipality	Amount Approved	Status of IHZ
Brookfield	\$20,000	conducting planning studies
Burlington	\$17,800	conducting planning studies
Canton	\$20,000	conducting planning studies
Durham	\$20,000	conducting planning studies
Fairfield	\$20,000	conducting planning studies
Haddam	\$20,000	conducting planning studies
Milford	\$20,000	conducting planning studies
North Stonington	\$20,000	conducting planning studies
Ridgefield	\$20,000	conducting planning studies
Stonington	\$20,000	conducting planning studies
TOTAL	\$197,800	