

UConn CLEAR

Affordable Housing & 8-30g: Obstacles & Opportunities

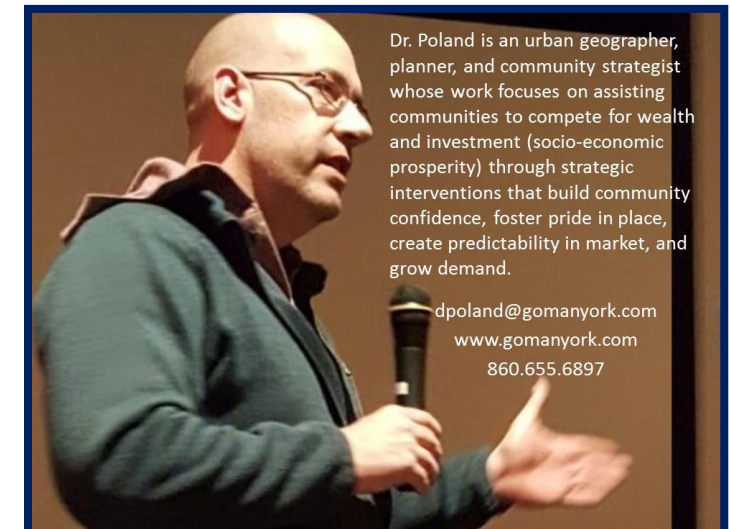
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Housing Affordability: A Problem to Solve

Overview

Housing Affordability is a Problem of:

- **Income:** household earns too little income to afford housing.
- **Cost:** housing is too expensive for household of certain income to afford.
- The differences are nuanced but important.

Solution:

- **Income:** increase household income (wages, salaries, benefits, Etc.)
 - CT Minimum Wage = \$16.35/hr. or \$34,000/yr.
 - Not a problem municipal government or zoning can solve.
- **Cost:** lower the cost of housing (supply, impediments, government aid, Etc.)
 - Municipal government and zoning can be part of the solution.

Challenge:

- **New (Construction) Housing:** the production of new housing is the costliest approach to providing housing and affordable housing.
- We cannot build the way to affordable housing, especially not without government participation.

Context: Housing & Income

Connecticut

Context: Housing & Income

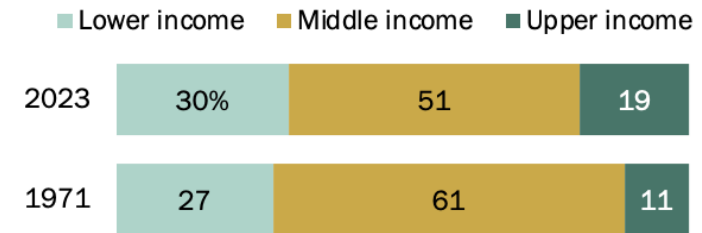
Defining Middle-Income

PEW Defining the Middle-Income

- **Middle-Income:** households with an income that is *two-thirds median U.S. household income* (adjusted for household size)
 - U.S. Median HH Income = \$80,610
 - Middle-Income = **\$53,202 to \$161,220**
- **Lower-Income:** households have incomes less than two-thirds of the median income
- **Upper-Income:** households have income that are more than double the median income

Share of Americans in the middle class has fallen since 1971

% of U.S. population in each income tier



Note: People are assigned to income tiers based on their household incomes in the calendar year prior to the survey year, after incomes have been adjusted for the number of people living in each household. Shares may not total 100% due to rounding.
Source: Pew Research Center analysis of the Current Population Survey, Annual Social and Economic Supplement (IPUMS), 1971 and 2023.

PEW RESEARCH CENTER

Context: Housing & Income Data

Defining Middle-Income

Connecticut Household Income

- Median HH Income = **\$91,665**
 - **80% SMI = \$73,332**
 - **60% SMI = \$54,999**
 - 50% SMI = \$45,832
 - 30% SMI = \$27,499 (Fed Poverty Level \$32,150)
- PEW Middle-Income = \$53,202 to \$161,220
- CT Middle-Income: **\$60,499 to \$183,330**
- 72.3% of CT Households have incomes over approximately \$50,000 (are middle-income households)
- **27.7%** of CT Households are Lower-Income.
 - Owner = 16.6%
 - Renter = **48.9%**
- Greatest Need for Affordable Housing: At incomes below 60% SMI and renters.

Connecticut	Percent Occupied	Percent Owner-Occupied	Percent Renter-Occupied
Occupied housing units	100%	65.7%	34.3%
HOUSEHOLD INCOME 2023			
Less than \$5,000	3.1%	1.6%	5.9%
\$5,000 to \$9,999	1.8%	0.8%	3.7%
\$10,000 to \$14,999	3.2%	1.3%	6.8%
\$15,000 to \$19,999	2.6%	1.3%	5.1%
\$20,000 to \$24,999	3.0%	1.8%	5.1%
\$25,000 to \$34,999	5.6%	3.7%	9.3%
\$35,000 to \$49,999	8.5%	6.1%	13.0%
\$50,000 to \$74,999	13.9%	12.4%	16.7%
\$75,000 to \$99,999	12.1%	12.1%	12.2%
\$100,000 to \$149,999	17.8%	20.7%	12.1%
\$150,000 or more	28.5%	38.0%	10.1%
Median household income	\$91,665	\$119,486	\$51,138

Context: Housing & Income Data

Defining Middle-Income

8-30g and Affordable Housing

CGS, 126a *Affordable Housing Land Use Appeals*, **Sec. 8-30a** narrowly defines *qualified 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;

This definition is narrow because:

- Only considers housing units/households receiving government assistance—specified programs or deed restrictions.
- Does not include ‘*market-rate*’ housing that sells or rents at values affordable to low- and moderate-income households. (Medial Value = \$367,800 and Median Rent = \$1,463)
- Does not account for supply, demand, or spatial organization of housing markets.

Context: Housing & Income Data

Defining Middle-Income

Understanding 8-30g and Affordability

- The greatest need for affordable housing is below 60% AMI/SMI.
- Zoning, specifically 8-30g, serves middle-income households (as defined by PEW), not lower-income households with the greatest need.
- Zoning cannot solve the housing affordability problem alone—nor is it the sole cause.
- Zoning does have a role to play in the solution.
- 80% and 60% AMI/SMI are on the lower side of middle-income housing—a population that will benefit from the housing provided.

CONNECTICUT: MONTHLY HOUSING COSTS: PERCENT OF HOUSEHOLD INCOME	Percent Occupied	Percent Owner-Occupied	Percent Renter-Occupied
Less than \$20,000	9.3%	4.5%	18.6%
Less than 20 percent	0.1%	0.1%	0.3%
20 to 29 percent	0.7%	0.1%	1.8%
30 percent or more	8.5%	4.3%	16.5%
\$20,000 to \$34,999	8.5%	5.6%	14.0%
Less than 20 percent	0.3%	0.2%	0.6%
20 to 29 percent	0.8%	0.6%	1.3%
30 percent or more	7.3%	4.8%	12.0%
\$35,000 to \$49,999	8.3%	6.1%	12.5%
Less than 20 percent	0.6%	0.6%	0.8%
20 to 29 percent	1.7%	1.6%	2.1%
30 percent or more	5.9%	4.0%	9.6%
\$50,000 to \$74,999	13.7%	12.4%	16.2%
Less than 20 percent	2.9%	3.5%	1.7%
20 to 29 percent	4.5%	3.4%	6.5%
30 percent or more	6.4%	5.5%	7.9%
\$75,000 or more	57.9%	70.9%	32.9%
Less than 20 percent	36.9%	46.6%	18.4%
20 to 29 percent	14.3%	16.1%	10.8%
30 percent or more	6.7%	8.2%	3.8%
Zero or negative income	1.2%	0.6%	2.3%
No cash rent	1.2%	(X)	3.6%

Demographics

Connecticut

Demographics

Declining Household Size

Demographics Trends & Housing:

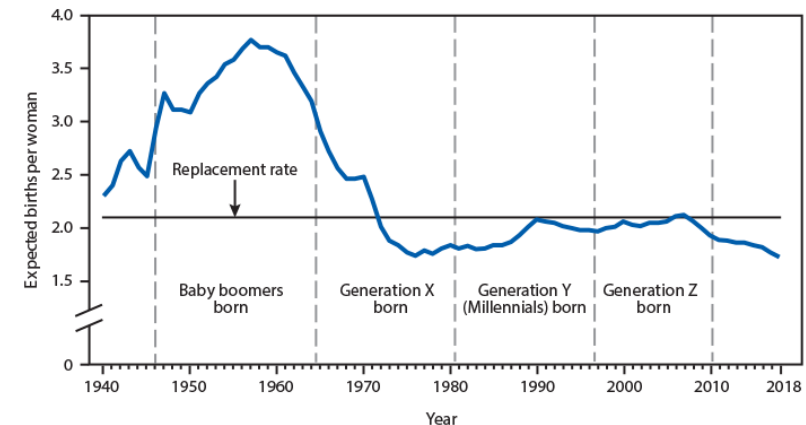
- We marry less, later, and have fewer children.
- We are live longer.
- Result: Household size is shrinking.

Demographic Change

- ❖ **Parents with children under age 18** living at home **declined by about 3 million over the past decade**, down from 66.1 million in 2010 to 63.1M in 2020.
- ❖ There are **36.2 million one-person households (28%)**. In 1960, one-person households was **only 13%** of all households (1940 = **8%**).
- ❖ In 2020, **33% of adults** ages 15 and over **had never been married**, up from **23%** in 1950.
- ❖ The estimated **median age to marry for the first time is 30.5 for men and 28.1 for women**, up from ages **23.7 and 20.5**, respectively, in 1947.
- ❖ In 2022 more than half (**58%**) of adults ages 18 to 24 lived in their parental home, up from **55%** in 2019.

U.S. and Connecticut Fertility Rate 2008 - 2020

Year	2008	2010	2012	2014	2016	2018	2020
CT	1.88	1.72	1.66	1.63	1.63	1.57	1.51
US	2.08	1.93	1.88	1.86	1.82	1.73	1.64



Demographics

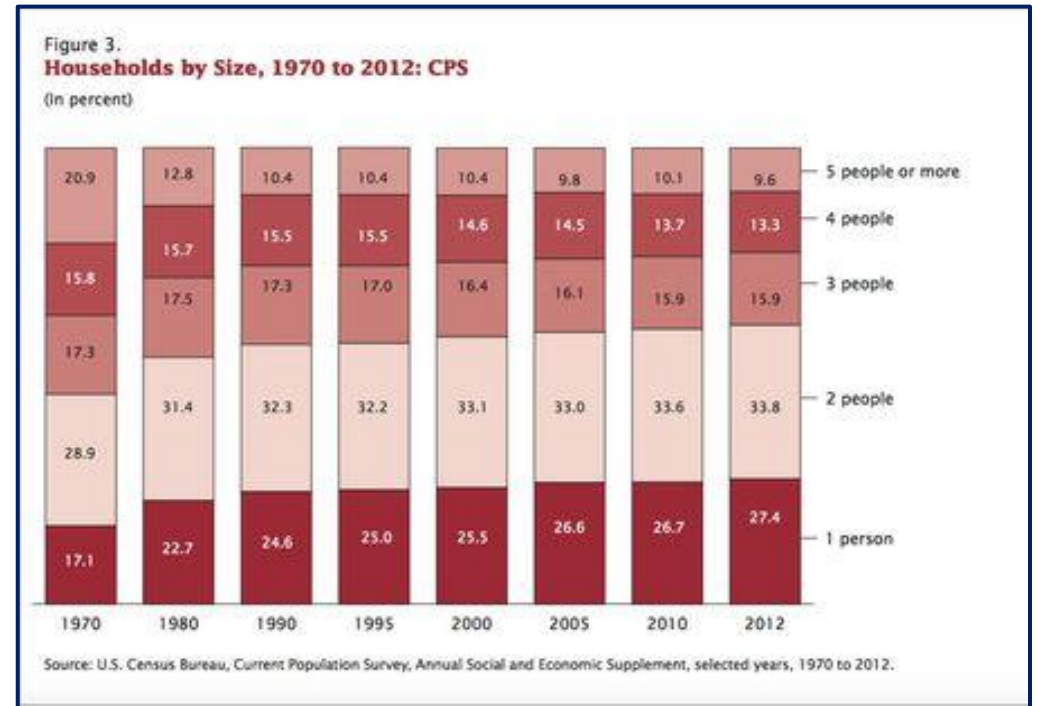
Declining Household Size

Demographics & Housing:

- The decline in household size is never discussed a factor (a cause) in the affordable housing crisis.
- The increase in one- and two-person households means increases in the number of *single-income households*.
- Increases in one- and two-persons households is driving demand for rental (our existing single-family housing stock is not serving the shift in household size and type).
- Much of the existing housing stock—single-family detached housing—was designed to a market with larger households.

Housing Occupancy Characteristics, Connecticut 2022

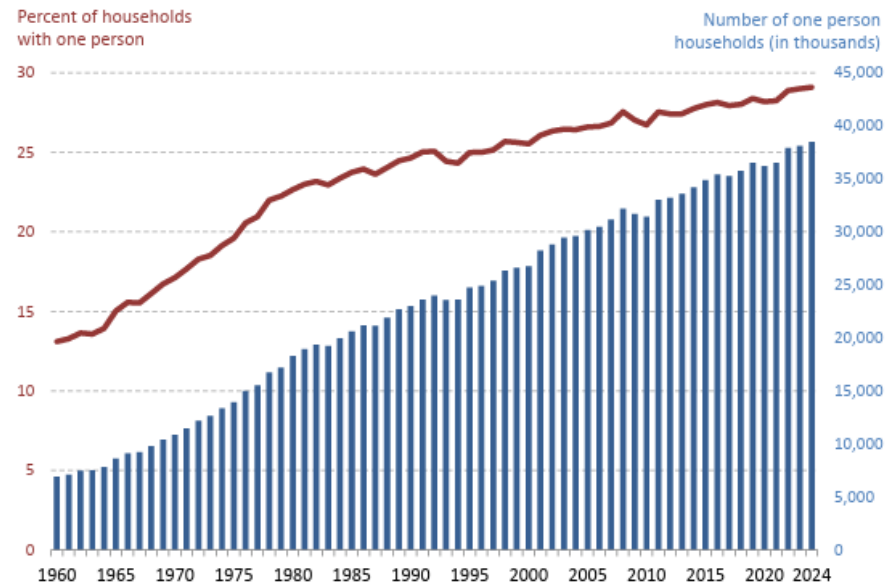
	Percent Occupied	Percent Owner-Occupied	Percent Renter-Occupied
Occupied housing units			
1-person household	29.9%	22.2%	45.2%
2-person household	33.6%	37.0%	26.9%
3-person household	16.0%	17.1%	14.0%
4-or-more-person household	20.4%	23.7%	13.9%



Demographics

Declining Household Size

The rise of living alone

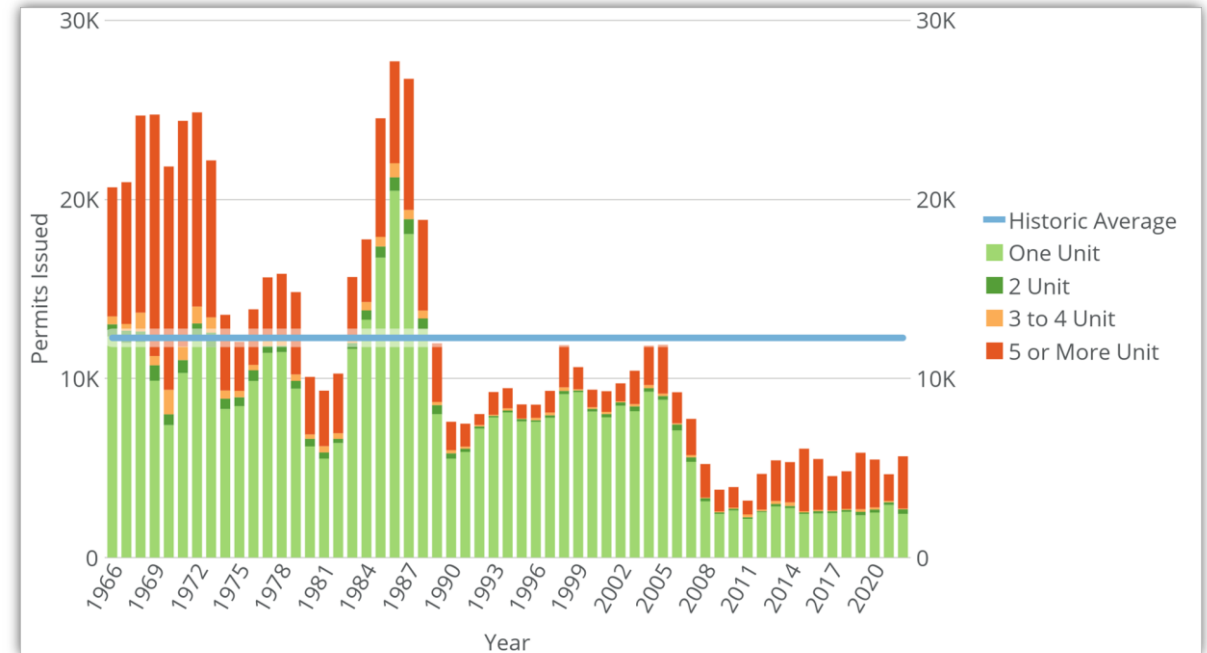


Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, 1960 to 2024.



Note: More information on confidentiality protection, methodology, sampling and non-sampling error, and definitions is available at <www2.census.gov/programs-

Connecticut Building Permits - New Privately-Owned Housing



CT Population

1950	2,007,280	17.4%
1960	2,535,234	26.3%
1970	3,031,709	19.6%
1980	3,107,576	2.5%
1990	3,287,576	5.8%
2000	3,405,565	3.6%
2010	3,574,097	4.9%
2020	3,605,944	0.9%

Affordable Housing: Obstacles & Opportunities

Connecticut

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Affordable Housing: Obstacles & Opportunities

Summary of Obstacles

Market:

- High Construction Cost
- High ROI Required due to High Risk

Land Use:

- Favors Conservation over Development
- Lack of (or Restrictive) Infrastructure

Zoning:

- Favors Single-Family over Multi-family (Density is bad)
- Conditional Uses Favored Over As-of-Right (Subjectivity = Risk)
- Excessive Site Development Requirements (Architectural)
- Costly Application Process (Excessive Reports)
- Fiscal Zoning (Don't share our government services)

Policy (& Politics):

- Lack of Political Will.
- NIMBYism



“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

Affordable Housing: Obstacles & Opportunities

Summary of Opportunities

Market:

- Public Private Partnerships (Government Participation)
- Incentives (Land Donation, Tax Abatements, TIF/CEA, Grants, Reduced or Waived Permit Fees)

Land Use:

- Proactively Plan for Housing & Affordable Housing
- Plan for (and provide) Infrastructure to Support Housing & Density

Zoning:

- Allow Multi-Family (As-of-Right)
- Reduce Subjectivity (Limit or Eliminate Conditional Uses)
- Utilize Flexible Standards (Master Plan Approaches)
- Reduce the Required Studies
- Stop Fiscal Zoning

Policy (& Politics):

- Support & Promote Housing/Affordable Housing



Case Studies

Connecticut

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Case Studies

Affordable Housing Finance Study - WestCOG

Affordable Housing is More Complex than Market Rate Development

- Public Policy Objective—provide affordable housing for cost burdened households
- Affordable housing policies (including 8-30g) shift cost burden to the private sector (developer)
- Financial feasibility is challenging on the development side for affordable housing
- Opportunity for Public Private Partnerships (PPP).

Development Scenario	Typology	Financially Assisted	Total Units Developed	Market Rate Units	80% AMI Affordable Units	60% AMI Affordable Units	Projected Cost	Projected Value	Project IRR	Equity IRR
Single-Family	Rural	No	5	3	2	0	\$3,170,255	\$3,370,092	0.8%	1.3%
Single-Family	Rural	Yes	24	17	7	0	\$12,799,459	\$13,291,097	12.8%	26.8%
Single-Family	Rural	No	5	5	0	0	\$3,170,255	\$4,347,250	19.9%	25.5%
Townhome	Suburban	No	28	20	8	0	\$11,766,966	\$11,942,944	-4.9%	-0.5%
Townhome	Suburban	Yes	28	20	8	0	\$11,426,320	\$11,942,944	20.8%	35.0%
Large Apartment	Urban-Fringe/Urban-Core	No	350	245	53	53	\$128,010,738	\$74,560,730	2.7%	1.4%
Large Apartment	Urban-Fringe/Urban-Core	Yes	350	245	53	53	\$124,605,575	\$74,560,730	4.3%	13.8%
Large Apartment	Urban-Fringe/Urban-Core	No	350	53	53	0	\$128,742,341	\$84,237,268	4.0%	3.0%
Mid-size Apartment	Urban-Fringe	No	26	18	4	4	\$10,655,981	\$5,203,495	0.9%	-1.5%
Mid-size Apartment	Urban-Fringe	Yes	46	32	7	7	\$16,465,864	\$9,474,807	3.8%	18.6%
Office to Apartment Conversion	Urban-Fringe/Suburban	No	20	14	3	3	\$7,312,995	\$4,670,245	3.7%	2.6%
Office to Apartment Conversion	Urban-Fringe/Suburban	Yes	20	14	3	3	\$4,670,245	\$4,670,245	8.1%	19.1%
Single-Family to Duplex	Rural/Suburban	No	2	1	1	0	\$771,004	\$515,133	4.3%	3.5%
Single-Family to Triplex	Rural/Suburban	No	3	2	1	0	\$931,387	\$719,712	5.9%	6.2%
Single-Family to Quadplex	Rural/Suburban	No	4	3	1	0	\$992,296	\$1,320,580	12.3%	23.9%

Case Studies

The Developers Cost of Affordable Housing (Suburban Garden Apartments – 10% Affordable at 80% AMI)

Type	Sq Ft	Projected Market Rent	Total Affordable Units	Max (80%) Affordable Units	Utility Allowance	Net Affordable Rent	Rent Differential (Monthly)	Rent Differential (Annually)	Total Lossed Revenue	Value Loss
Studio	562	\$1,980.00	41	4	\$1,750.00	\$228.00	\$1,522.00	\$458.00	\$5,496.00	\$22,533.60
1x1	767	\$2,502.50	97	10	\$1,875.00	\$293.00	\$1,582.00	\$920.50	\$11,046.00	\$107,146.20
1x1 + Den	863	\$2,750.00	48	5	\$1,875.00	\$293.00	\$1,582.00	\$1,168.00	\$14,016.00	\$67,276.80
2x1.5	952	\$2,970.00	16	2	\$2,250.00	\$424.00	\$1,826.00	\$1,144.00	\$13,728.00	\$21,964.80
2x2	1027	\$3,190.00	42	4	\$2,250.00	\$424.00	\$1,826.00	\$1,364.00	\$16,368.00	\$68,745.60
3x2	1343	\$3,575.00	10	1	\$2,598.00	\$526.00	\$2,072.00	\$1,503.00	\$18,036.00	\$18,036.00
Average/Total	830	\$2,650.29	254	25	\$1,968.92		\$1,647.32	\$1,002.96	\$ 78,690.00	\$305,703.00

10% Affordable Units at 80% AMI

- The loss of \$305,703/year equals approximately \$12,228/affordable unit/year
- The development loses \$78,680/year in gross income
 - The development loses \$3,057,030 over a 10-year hold and \$12,228,120 over a 40-year deed restriction
 - If 20% Affordable at 80% AMI = \$611,406/year
 - If 30% Affordable at 80% AMI = \$917,109/year

8-30g Development

- If this were an 8-30g with 30% affordable Units (at 60% AMI & 80% AMI), the development would lose approximately \$1,375,663/year.
 - Such losses would total approximately 16% of gross income. What happens to your household finances with 16% gross income loss?

Public Participation

- Providing a tax abatement or tax fixing agreement can offset the losses for affordable units for up to 30 years—can go a long way to assist the development with securing investors, securing financing, and stabilizing the development. Can also assist with future maintenance needs.

Case Studies

The Camelot, West Hartford – 100% Affordable Units

Public Private Partnership

- Conversion of functionally obsolete hotel property to 44 affordable housing units
- **Income Limits:** 30% to 80% AMI
- **Costs:** Affordable housing, especial government assisted affordable housing is expensive to produce:
 - Construction Hard Cost: \$375,000/Unit
 - Construction Total Cost: \$615,000/Unit
- **Funding Sources:** CHFA, DOH, DECD, WH ARPA, LIHTC, Deferred Developer Fee
- Financially complex, costly, but achievable
- **Outcome:** Affordable Housing in a high value location with access to public transit and jobs



Case Studies

One Park, West Hartford – 10% Affordable at 80% AMIs

In analyzing the *necessity of a tax abatement*, Goman+York examined the expected valuation and projected returns.

- The developer's proposal included development costs and projected operating incomes.
- Goman+York produced two prospective financial pro forma models;
 - one approximating the numbers provided by the developer and
 - another utilizing Goman+York's total cost expectations.
- Each model includes a detailed development cost structure and a 10-year operating timeline.

The developer's hard construction costs were deemed reasonable and were used for costs in both models.

- Given the age of the existing building and its historic nature, soft costs were considered aggressive and increased in Goman+York's model.
- Overall, the costs of the two models are similar.

Developer Costs	Total	Per Sq. Ft.
Land & Site Costs	\$6,725,543	\$21.93
Hard Construction Costs	\$49,269,106	\$160.65
Soft Costs	\$3,251,147	\$10.60
Financing & Leasing Costs	\$3,860,538	\$12.59
Developer Fees	\$2,250,000	\$7.34
Total Development Cost	\$65,356,602	\$213.11

Goman+York Costs	Total	Per Sq. Ft.	Diff. vs Dev.
Land & Site Costs	\$6,725,543	\$21.93	-
Hard Construction Costs	\$49,269,106	\$160.65	-
Soft Costs	\$3,882,808	\$12.66	+19.4%
Financing & Leasing Costs	\$3,898,861	\$12.71	+1.0%
Developer Fees	\$2,250,000	\$7.34	-
Total Development Cost	\$66,026,318	\$215.29	+1.1%

Case Studies

One Park, West Hartford – 10% Affordable at 80% AMIs

Assumptions Without a Tax Abatement

Goman+York compared the residential rents provided by the developer against market rents. Considering the prevalence of studios and 1 bedrooms, the developer provided average rent of \$2.66 per square foot a month was deemed reasonable.

Without the tax abatement, the stabilized operating statement shows an overall Net Operating Income (NOI) of approximately \$3.9 million. This provides a current day valuation of approximately \$67.3 million, roughly equivalent to the overall cost of the project.

Calculating the Need for a Tax Abatement

When examining the project over a longer 10-year holding period with the proposed tax abatements, we observe:

- 8.3% project IRR and 14.0% IRR on Equity (developer assumptions)
- 7.8% project IRR and 12.6% IRR on Equity (Goman+York assumptions)

Proposed Tax Abatement Structure

Given the size of the project and expected infrastructure expenses, Goman+York applied a tax abatement structure of:

- 100%: Years 1-3
- 80%: Year 4
- 70%: Year 5
- 50%: Year 6-10
- 0%: Year 11

Income: Rental

Residential: Market Rate	\$/Sq. Ft.	33.9	6,685,034
Residential: Affordable	\$		488,846
Other Income	\$/unit	106	31,270
Income: Total Rental			<u>7,205,150</u>
Residential Vacancy/Bad Debt Loss	%	5%	(334,252)
Gross Rental Income			<u>6,870,899</u>
Operating Expenses:			
Residential - Oper. Ex	%	27%	1,804,959
Residential - Taxes	\$		1,191,968
Commercial - Oper. Exp.	\$/sf	3.00	-
Commercial - Property Taxes	\$/sf	8.00	-
Gross Operating Expenses			<u>2,996,927</u>
Net Operating Income (NOI)			<u>3,873,971</u>
Stabilized Valuation	Cap. Rate	5.75%	<u>67,373,417</u>
Debt Service - Permanent Loan			<u>(3,072,341)</u>
Net Cash Flow - Annual			<u>801,631</u>

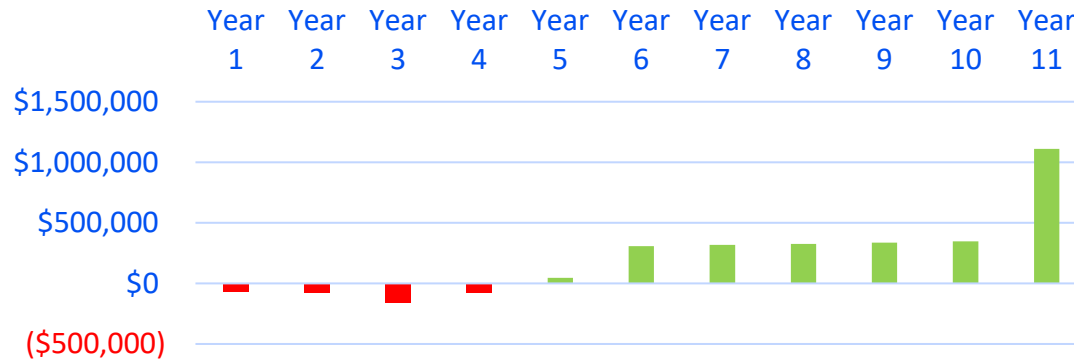
Definition of IRR and Equity IRR

- **IRR:** The IRR (Internal Rate of Return) is used to calculate the return on investments.
 - The Project IRR provides information on the project-specific return. This does not take the financing structure into account and assumes 100% equity financing.
- **EQUITY IRR:** The equity IRR considers the debt financing. When financing projects with the addition of debt capital, the so-called leverage effect occurs and increases the return.

Case Studies

One Park, West Hartford – 10% Affordable at 80% AMIs

Net Fiscal Impact



Net Fiscal Impact – Findings & Conclusion

As shown in the table and graph, One Park with the assumed tax abatement will be fiscally negative in years one through four and positive in years five through 10. In year 11, after the tax abatement expires, One Park is net positive by approximately \$1,111,700.

Note: the negative fiscal impact in years one and two is a negative impact “on paper”. This loss will be absorbed into existing government services with no realized, actual fiscal impact.

Detailed Fiscal Impact Analysis of Proposed 10-year Tax Abatement											
Revenue	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11+
% Tax Abatement	100	100	100	80	70	50	50	50	50	50	0
Residential	\$0	\$0	\$0	\$245,545	\$379,368	\$651,248	\$670,785	\$690,909	\$711,636	\$732,985	\$1,509,949
Personal Property	\$0	\$0	\$75,418	\$155,362	\$160,023	\$164,823	\$169,768	\$174,861	\$180,107	\$185,510	\$191,075
Total	\$0	\$0	\$75,418	\$400,907	\$539,391	\$816,071	\$840,553	\$865,770	\$891,743	\$918,495	\$1,701,025
Expenditures	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11+
Residential Gov. Serv.	\$72,412	\$74,584	\$153,645	\$316,507	\$326,003	\$335,783	\$345,856	\$356,232	\$366,919	\$377,926	\$389,264
Residential BOE	\$0	\$0	\$78,965	\$162,668	\$167,548	\$172,574	\$177,751	\$183,084	\$188,576	\$194,234	\$200,061
Total	\$72,412	\$74,584	\$232,610	\$479,175	\$493,550	\$508,357	\$523,607	\$539,316	\$555,495	\$572,160	\$589,325
Net Fiscal Impact	(\$72,412)	(\$74,584)	(\$157,191)	(\$78,268)	\$45,840	\$307,714	\$316,946	\$326,454	\$336,248	\$346,335	\$1,111,700

Case Studies

Strong Market and Political Will – West Hartford

Prioritizing Affordable Housing

- In 2021, West Hartford had **2,065** qualified affordable housing units or **7.82%** of the housing stock.
- To achieve the 8-30g 10%, West Hartford would need to add 607 affordable units.
- Based on historic housing absorption rates, it was estimated that would take 30+ years to research the 10% threshold and was recommend not to focus on the number/or percent but work toward adding 9 to 12 affordable units per year (15% to 20% of historic housing absorption).
- In recent years, West Hartford has approved **1,906** new housing units, including **546 qualified affordable** housing units, of which **170 qualified affordable units are already constructed**.
- What changed:
 - **Strong Market Conditions:** demand for multi-family housing —mostly multi-family housing. (From 1997 to 2021 WH had a net absorption of only 1,572 housing units or 63 units per year.)
 - **Political Will:** the Town Council, who is the Zoning Authority, has prioritized affordable housing and requires affordable units with new housing development—even with vocal community opposition to affordable housing and density.
- **Take-a-Way:** When market conditions are favorable and there is political support for density and affordable housing—meaningful progress can be made toward providing affordable housing.

Conclusions

Planning – Land Use – Zoning - Markets

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Conclusions

Some Thoughts on Obstacles and Opportunities for Affordable Housing

- Affordable Housing is a problem that needs solving—the status quo is not working.
- Housing at 80% and 60% AMI/SMI (8-30g) is middle-income housing—NOT lower-income housing.
- More tools are needed—zoning alone cannot solve affordable housing—especially at incomes below 60% AMI/SMI (the greatest affordability need).
- Barriers need to be removed from Zoning—multi-family and affordable housing should not be more complicated or subjective to approve than single-family detached housing.
 - Residential uses (multi-, middle-, or single-family) do not pose meaningful threats to public health, safety, and welfare to justify prohibitions, exclusions, and conditional uses.
- Greater public participation is (or will be) required. Density bonuses and other zoning incentives are not enough to overcome the cost (financial feasibility) of affordable housing.
 - Municipalities have the capacity and tools, if they choose to, to assist with qualified affordable housing units at 80% (and 60%) AMI/SMI.
- Focus on qualified affordable rental housing—it is where the greatest need exists and is more financially feasible than owner-occupied affordable housing.
- Embrace, promote, and provide affordable housing—the status quo exists due to a lack of political will.

THANK YOU

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