10/11/2023 Barriers Working Group Summary

The Barriers to Affordable Housing Development Working Group met on October 11th and identified areas of concern. Individual barriers typically fell into one of six larger groups, those being problems associated with taxes and financing, rising development costs, 8-30g, land-use regulations, the current building code, and a lack of suitable infrastructure.

Taxes and Financing:

Barriers Identified:

i. Lack of incentivization for developers or property owners to convert market-rate units to deed restricted.
ii. Financing tools that may promote affordable development are currently overburdened.
iii. All rental units are taxed as though they were market rate, regardless of whether they are deed restricted.
iv. Conveyance taxes are applied at the same rate regardless of whether a property is profitable.
v. Housing trust funds currently lack the funding they need.

Potential Solutions:

i. Make depreciation schedules available to developers. Allow them to capitalize on their expenditures immediately.
    - OLR report on the state's treatment of federal bonus depreciation.
ii. Provide some of the tax credits non-profit developers receive to for-profit developers who are building deed-restricted units.
iii. Enable municipalities to look at revenue-generation solutions outside of property taxes.
iv. Allow municipalities to adopt homestead tax exemptions to reduce property taxes on primary residences while increasing pressure on second homes, Air BNBs, and investment properties.
v. Allow conveyance tax funds to be used municipally to develop affordable housing.
vi. Incentivize property owners, upon their deaths, to slate their properties for rental or sale as deed-restricted units.

Cost:

Barriers Identified:

i. Labor availability and costs cause difficulties for developers. Educational institutions are not currently working to address our labor needs.
ii. The price of construction materials results in only large-scale developments being economically feasible. Hinders development that may otherwise occur in small towns.
iii. Lack of availability of simple components delays development. Developers may be required to order parts way ahead of schedule to meet deadlines.
iv. State and federal regulations, in conjunction with income stagnation in the middle and lower classes, have resulted in increased unaffordability over the past 20 years.
v. Investors purchasing and remediating properties, especially single-family homes, can lead to increases in rent and price individuals out of areas previously available to them.

Potential Solutions:

i. Expand reciprocity with licensed trade workers outside of Connecticut.
ii. Align our educational institutions, specifically trade schools, with our labor needs.

8-30g:

Barriers Identified:

i. 8-30g discourages municipalities from allowing market-rate development that may otherwise occur as it moves them further from their 10% affordable goal. This results in animosity between municipalities and the state and prevents the creation of housing for those in middle-income brackets.
ii. 8-30g is "transportation agnostic" and does not promote transit-oriented development.
iii. A one-size-fits-all approach results in municipalities that may lack the necessary market or infrastructure being pushed to develop housing they cannot support.
iv. 8-30g can be used to force municipalities to approve developments they would otherwise oppose.
v. Affordable-friendly zoning and creative use of space by architects do not count towards the 10% affordability goal.

Potential Solutions

i. Create a tiered track system that encourages 8-30g development but allows other construction.
ii. Allow affordable-friendly zoning, such as middle housing in single-family zones, and creative housing solutions to be credited towards 8-30g goals.

Land Use/Zoning:

Barriers Identified:

i. Condominium boards and associations often restrict units within their jurisdiction from being rented or purchased affordably. Board rules may prevent units from being rented entirely if a certain number of units are already being rented, i.e., if 5% of units are currently rented, no more may be. This removes units from the rental market.
    - 2022 bill that is related to this issue
ii. Municipalities prohibit single-room occupancy, allowing rooms to be rented, and cohousing. Additionally, group homes are allowed for those with disabilities but not others.
iii. Requiring 2/3rds majorities in zoning boards to approve projects as well as allowing many groups to file suits to hold up development prevents new construction. Results in unnecessary delays and costs.

Potential Solutions:

i. Allow residential development in areas zoned commercial to facilitate development and remove pressure from the struggling commercial real estate market.

ii. Allow middle housing in areas zoned single family. A bill passed in Vermont that allows this was referenced.
iii. Revisit approval procedures and who may file suits that pause development.
iv. Require municipalities to allow rooms to be rented in single-family housing units, without prohibitive regulations.
v. Prohibit condominium associations from restricting the number of units being rented to less than 25% of units.

Building Code:

Barriers Identified:

i. Dual stairwell requirements make development more costly. Additionally, dual stairwells do not necessarily improve safety, assuming other features are present.
   - Summary document for this issue

ii. Building and public health codes still pose issues when converting commercial properties to residential. PA 21-29 addressed the zoning side of the issue.
iii. Codes have not been updated to address 3D and modular building styles. Updating could reduce costs associated with development.

Potential Solutions:

i. Remove dual stairwell requirements by adopting legislation like Washington State's.
ii. Modernize code to facilitate efficient use of new technologies.

Infrastructure:

Barriers Identified:

i. Connecticut has the highest energy costs in the region.
ii. Septic-design requirements are not based on the efficiency of a building. This results in ADU construction being more difficult and unnecessarily large units being required.
iii. Many municipalities currently lack the sewer infrastructure or the resources to build the sewer infrastructure necessary for residential development.
iv. Old consent orders present issues for towns.
v. State policy is moving away from promoting transit-oriented development.
vi. Current roadway standards result in overbuilt roads, increasing the cost to build housing and prohibit walkable neighborhoods.

Potential Solutions:

i. Consider adopting water efficiency standards from other progressive states (CA, NY, ME).
ii. DPH and DEEP should review current wastewater standards to determine what is necessary.
iii. Allow 1- and 2-bedroom septic systems to open smaller parcels for development.

iv. Consider adopting other means of wastewater management as well as new wastewater technology.
v. Sewer plant regionalization and funding assistance can facilitate development in smaller municipalities.
vi. Limit the width of new roadways municipalities may require.