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Governor

**STATE OF CONNECTICUT
DEPARTMENT OF HOUSING**



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Commissioner

ANNUAL REPORT

TO
THE GOVERNOR
AND
THE GENERAL ASSEMBLY

ON
INCENTIVE HOUSING ZONES

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

January 2025

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Authorizing Legislation

Originally authorized under 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, and later codified under Connecticut General Statutes §§ 8-13m through 8-13x, this statute 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 ("**CGS**").

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.

The statute provides the opportunity for incentives to municipalities that 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 town's zoning commission must establish the IHZ as an overlay zone. The town may receive incentives only for IHDs that are developed in a state-approved IHZ.

Incentive Housing Zone Requirements

To meet the current requirements, an IHZ must satisfy 1 thru 7, inclusive:

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 requirements¹, as follows:
 - 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;
4. The minimum as-of-right density allowed must increase the density allowed by the underlying zone by at least 25%;
5. IHZ 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; and
7. The land area of an IHZ shall not exceed 10% of the total land area in the municipality. The aggregate land area of all IHZs and subzones in a municipality shall not exceed 25% of the total land area in the municipality.

Other considerations

Additional optional considerations may also be included in the IHZ:

- The local zoning commission may modify, waive or delete dimensional standards contained in the zones that underlie the IHZ, in order to support such 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 statutory requirements, 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

¹ 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

- 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 Commissioner 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 50 applications have been approved totaling \$1,951,260 in technical assistance grants.

Zone Adoption Grants

Subject to the availability of funds, DOH will issue Zone Adoption payments to eligible municipalities. 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.

A total of 11 Zone Adoption Grants have been made, totaling \$220,000 in assistance.

Pre-Development Grants

The Commissioner may make grants, subject to available funds, for mixed income housing project specific activities. Such 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.

Building Permit Grants

Subject to availability of funds and municipal compliance with the statutory requirements, 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

A total of 2 Building Permit Grants have been made, totaling \$30,000 in assistance.

Program Status

There has been no new program activity since the January 2018 Annual Report; however, DOH is currently reviewing and revising the applications for Technical Assistance Grants, Pre-Development Grants and Zone Adoption Payments. Revised Applications will be available by Spring of 2025.

Annual Report on the program:

DOH is required to report, per § 8-13u CGS, 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;

Currently there are no other municipalities seeking letters of eligibility.

(2) Identify approved incentive housing zones and the amounts and anticipated schedule of zone adoption and building permit payments under § 8-13s during the prior and current fiscal year;

There were no payments made during the prior or current fiscal years.

(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 § 8-13t, including the number and type of proposed residential units, the number of building permits issued, the number of completed housing units and their type;

Barkhamsted – Approved Zone

118 total acres on 3 undeveloped parcels

Predevelopment on proposed 20 affordable rental units continues.

Canaan/Falls Village – Approved Zone

66 acres in a single zone

Early activity on two projects:

16 affordable rental townhouse development

5-unit affordable rehabilitation development

East Lyme – Approved Zone

9.8 acres Midway IHZ (aka Niantic – North) and Niantic – South

There are no known projects under consideration at this time.

New London – Approved Zone

73 acres in three different areas of the City

Predevelopment of 126 units of affordable rental housing

Old Saybrook – Approved Zone

5.6 acres in a single zone

16 unit project completed (Ferry Crossing)

Predevelopment of 20 units of affordable rental housing

Redding – Approved Zone

18.61 acres in two different areas of the town.

No known projects at this time.

Sharon – Approved Zone.

7.7 acres in two different areas of the town.

12-unit project completed

Torrington – Approved Zone

15.96 acres in a single zone

60-unit rental housing project completed

Wallingford – Approved Zone

22.73 acres in three different areas of the town

Predevelopment site evaluation underway

Watertown – Zone has NOT been adopted but is under consideration.

4.61 acres of undeveloped parcel in the Oakville Village area.

Project under consideration upon adoption would create 20 new housing units, 4 of which will be affordable units.

Preliminary eligibility for incentive payment, should adoption occur

Westbrook – Approved Zone

3.25 acres in a single zone

No known projects at this time.

Windham – Approved Zone

10.35 acres comprising of 4 different zones

Construction completed on Murray on Main (16 affordable rental units in a historic rehabilitation).

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

DOH has approved a payment of \$20,000 to each of the eleven municipalities (Barkhamsted, Canaan, East Lyme, New London, Old Saybrook, Redding, Sharon, Torrington, Westbrook, Wallingford and Windham) that have adopted an IHZ. Old Saybrook and Sharon have been awarded a building permit payment of \$15,000 each.

(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.

There continue to be 39 municipalities in the process of finalizing the locations of IHZ, drafting IHZ regulations and/or the design standards. It is not known at this time as to how many of these municipalities will submit an application for IHZ approval. During the last year, the Department conducted outreach to these communities in an effort to identify such activity, however no additional action had been taken.

- (A) There are no IHZs currently under review; however, should an adoption application be made, the Department is committed to a timely review.
- (B) There are no newly planned projects within the DOH approved IHZs. Any new IHZs are unlikely to produce units within the same fiscal year, as construction time frames generally take 18 to 24 months.
- (C) The Department does not anticipate any construction activity in the coming fiscal year.

There continues to be 39 municipal grant recipients that have open tasks such as identifying appropriate Incentive Housing Zone locations, drafting regulations and preparing design standards. Currently, DOH is accepting applications for Technical Assistance and site-specific Pre-Development grants from eligible applicants on a rolling basis.

DOH is also engaged in two technical assistance initiatives—a pilot program in Fairfield County and an in-house program open to municipalities from across the state—both with the same goal of facilitating housing development. Though unrelated to the IHZ program formally, early work in these initiatives has revealed a continued interest in the IHZ program.