CONNECTICUT AFFORDABLE HOUSING MARKET INVENTORY STUDY

SUMMARY REPORT

Prepared for:
CONNECTICUT HOUSING FINANCE AUTHORITY

Prepared by:
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OCTOBER 30, 2013

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SUMMARY REPORT

This Summary Report provides an overview of the key findings of the 2013 Affordable Housing Market Inventory Study commissioned by the Connecticut Housing Finance Authority ("CHFA" or "the Authority). The study is intended to guide CHFA's future actions by determining the current housing inventory, supply and demand for affordable homeownership and rental housing. The process involved the use of numerous, federal, State and regional data sources, as well as research of larger economic trends to fully understand Connecticut's position within the region and nation. See the full study for data and assumptions underlying the findings.

In understanding and utilizing the findings of the Affordable Housing Market Inventory Study, it is important to have a firm grasp of what the study is, and what it is not. In calculating housing demand for both homeownership and rental housing, this study used a methodology approved by the U.S. Department of Housing and Urban Development (HUD). At a basic level, this method looks at the affordability of housing by comparing the income of households with the cost of housing – consisting either of rent or (for owners) a combination of mortgage, insurance and property tax payments.

On the housing costs side, extremely precise data are available at a local level. For sales prices, the study utilized town-level 2012 median sales prices, while for rents, the HUD Fair Market Rents (FMRs) were compiled by zip code.
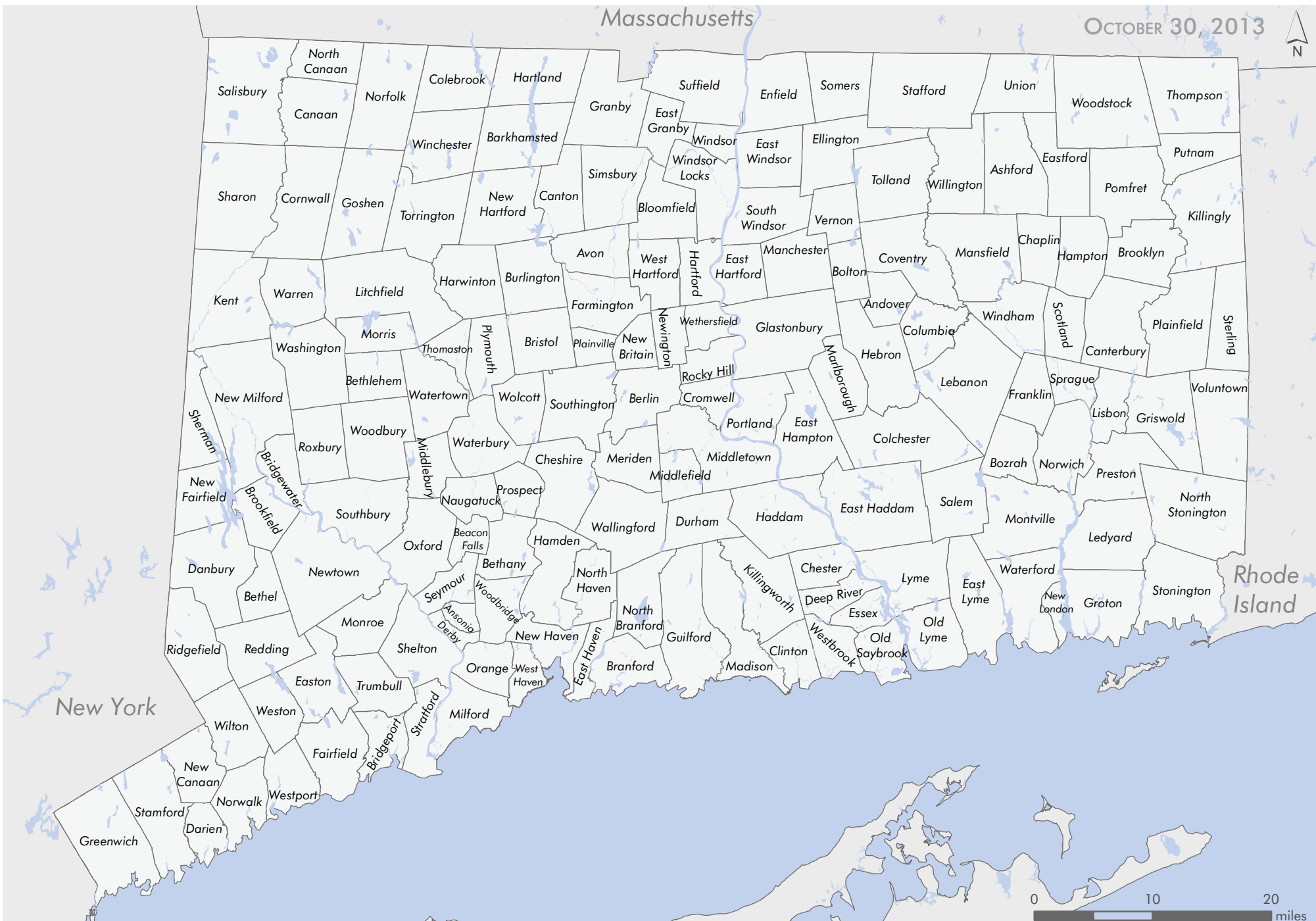
On the income side, the source of data was area median income (AMI), which is published annually by HUD for every metropolitan area and non-metropolitan county in the U.S. It is the most common
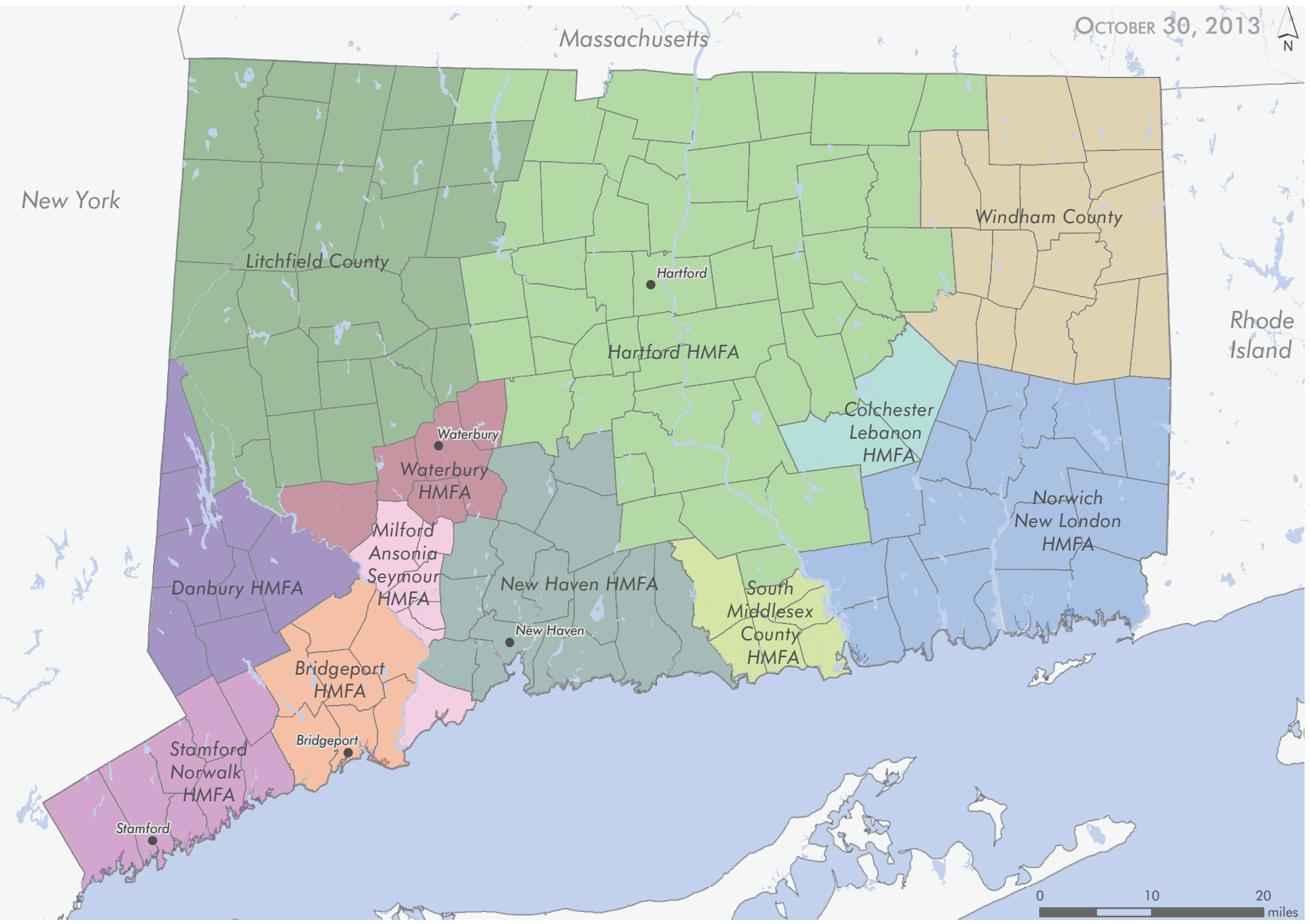
benchmark to determine eligibility for federal housing programs and is used by CHFA in the State's housing assistance program. Households earning between 80% and 120% of AMI are considered moderate-income, and below 80% of AMI are low-income. Within the low-income category, households with incomes below 50% of AMI are "very low income," and those below 30% of AMI are "extremely low income."

AMI is adjusted by family size and the income limits are set, taking into consideration at 80% of the AMI that amount at which 30% of a four-person family's income equals 100% of a two-bedroom FMR. AMI differs from median household income because AMI is normalized based on a constant family size and bedroom mix, whereas Census median household income is based on a household size that can vary greatly by town, and is less current than HUD AMI.

However, it is important to note that AMI is not available on a town level (see Figure 1), but only on a metropolitan area or non-metropolitan county level. To attain AMI data at the smallest possible geographic level, this study used the 12 HUD Metro Fair Market Areas (HMFAs), as shown in Figure 2. These areas generally consist of one or more central cities and their immediate surrounding suburban areas.[1] As the figure illustrates, the size of HMFAs varies significantly in Connecticut; the Hartford-West-Hartford-East Hartford HMFA is comprised of some 50 towns, while the Colchester-Lebanon HMFA contains only two.

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[1] Litchfield and Windham Counties are not within a metropolitan area, and thus not within an HMFA; however, they are effectively treated as individual HMFAs for the purposes of affordability analysis.

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Massachusetts

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New York

Rhode Island

0   10   20 miles

AFFORDABLE HOUSING MARKET INVENTORY STUDY

FIGURE 1: CONNECTICUT TOWNS

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SOURCE: ESRI. U.S. CENSUS, MAP PREPARED BY URBANOMICS

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Massachusetts

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New York

Litchfield County

Hartford

Hartford HMFA

Windham County

Rhode Island

Waterbury

Waterbury HMFA

Colchester Lebanon HMFA

Norwich New London HMFA

Milford Ansonia Seymour HMFA

New Haven HMFA

Danbury HMFA

New Haven

South Middlesex County HMFA

Bridgeport HMFA

Bridgeport

Stamford Norwalk HMFA

Stamford

0   10   20
miles

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FIGURE 2: HUD METRO FAIR MARKET AREAS IN CONNECTICUT

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SOURCE: ESRI. U.S. HUD, MAP PREPARED BY URBANOMICS

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For this report, the primary implication of the lack of availability of town-level AMI is that housing costs by **town** are compared to income by **region**. This means, for example, that housing affordability in the City of New Haven is based on the cost of housing for that particular municipality, versus the median income for the larger region. Clearly, income levels in the City can be expected to differ significantly from its surrounding suburban communities; however, the precise magnitude of the difference is unknown. However, it can be assumed that the comparison of local-level cost data to regional-level income data creates some issues of accuracy. Therefore, the housing need numbers (both ownership and rental) determined by this report should be considered a preliminary, or first phase, of affordability analysis. It is recommended that CHFA research the application of HUD's established methodology to calculate AMI for each Connecticut town, to provide a fully accurate basis of comparison.

Another key factor in assessing the findings of this report is that it does not take into account household mobility. People choose where to live for a number of reasons, only one of which is housing affordability. Households may be able to afford homes in the town where they live, but opt to move to a less affordable municipality because of such factors as job access, quality of schools, neighborhood conditions, social network, etc. Because such variables are impossible to quantify, this study analyzes only the ability of households to afford housing in the town in which they currently reside.

Finally, this study makes no findings on the condition of affordable housing in the state of Connecticut. Although Census data suggest that substandard housing is not a major issue in the state, some portion of the affordable units may be in disrepair and in need of reinvestment, which could affect their continued affordability.

Overall Connecticut Picture

In the past decade, Connecticut's population growth has lagged the nation's and the rate seen by other Atlantic coastal states, and that trend is expected to continue. Based on 2012 projections from the Connecticut State Data Center of UCONN, the state's population is expected to increase from 3.57 million in 2010 to 3.69 million by 2020, or by 0.4% annually. Within the timeframe of CHFA's current strategic plan, the UCONN projections indicate that Connecticut's population will grow from 3.61 million in 2013 to 3.66 million in 2017, adding a total of 47,700 new residents at 0.4% annually.

This minimal population growth will not occur uniformly across the state; it is expected to be concentrated in the three most urbanized counties of Hartford, Fairfield and New Haven, and within those counties, to occur in the suburban areas of these counties, rather than the central cities. Nor will there be consistency by age or income; most increases are expected in older (headed by people aged 55+) and wealthier (earning $100,000+) households. These factors should lead to a decline in household size in the state.

Housing Demand

Homeownership

This report analyzed the market for CHFA's homeownership program, which consists of renters earning 80%-120% of AMI who can afford a mortgage with a 3.75% downpayment and reduced interest rates (3.75%), in the municipality where they currently reside, subject to CHFA's income and sales price limits. The statewide need for CHFA's homeownership program is about **48,000** households, assuming acceptable credit and stable median single-family housing prices (see Table 1 for a depiction of these households by county and Figure 3 for a map of these households by town). Of these 48,000 households, some 44,400 households, or 93%, are within 80% to 100% of AMI, and 3,200 households, or 6.8%, are between 100% and 120% of AMI. Almost half (42%) of the 48,000 households reside in Fairfield County, with another 52% in Hartford, New Haven and New London Counties combined.

Table 1 and Figure 3 depict the households within CHFA's homeownership market who are in **need** of affordable housing, based on HUD's affordability definitions. There may be households who do not meet that standard, yet would find CHFA's lower downpayment and interest rates attractive, and thus represent a key component of **demand** for its programs. This may be especially true in the inner cities, where a combination of relatively low home prices and AMI based on regional rather than municipal income levels, seems to imply little unmet need for affordable ownership housing. In fact, 23% of CHFA's single-family mortgages are issued in the cities of Hartford, New Haven, Bridgeport and Waterbury.

Table 1: Households Earning 80%-120% AMI Needing Affordable Ownership Housing Based on CHFA Program Criteria

County	Total Renter Households	CHFA Market		
		Total	@ 80%-100%	@100%-120%
Fairfield	44,444	20,217	18,505	1,712
Hartford	54,248	9,816	9,310	506
Litchfield	6,524	524	524	0
Middlesex	7,910	1,362	1,362	0
New Haven	54,845	7,587	6,573	1,014
New London	15,279	7,331	7,331	0
Tolland	6,176	828	828	0
Windham	5,556	0	0	0
Total	**194,982**	**47,664**	**44,432**	**3,232**

Source: Urbanomics

Rental

CHFA's rental programs target rent-constrained households earning 80% or less of AMI; the study estimates the effective current (2012) market at about **43,000** households. This represents households at or below 80% of AMI who cannot afford HUD Fair Market Rents, minus households that already own homes, minus publicly assisted households. As shown in Figure 4 and Table 2, CHFA rental market households are clustered in New Haven, Hartford and Fairfield Counties, but the vast share of needs are not in the major inner cities of New Haven and Hartford, but in suburban areas. Again, this largely reflects AMIs based on regional income levels, as well as substantial inner-city public housing and comparatively low rents.

Figure 3: Renter Households Earning 80%-120% of AMI Needing Affordable Housing at 3.75% Downpayment

households per square mile

- 0
- 1 - 15
- 16 - 30
- 31 - 60
- 60 - 120
- 120+

Massachusetts

Hartford County

Windham County

Tolland County

New London County

Middlesex County

New Haven County

Litchfield County

Fairfield County

New York

Rhode Island

Salisbury, Granby, Somers, Sharon, Cornwall, Canton, Simsbury, Tolland, Warren, Avon, Burlington, West Hartford, Hartford, South Windsor, Farmington, Glastonbury, Hebron, Marlborough, Sherman, Woodbury, Waterbury, Southington, Cheshire, Middlebury, Prospect, Salem, North Stonington, Brookfield, Oxford, Bethany, Durham, Haddam, Chester, Lyme, Newtown, North Haven, North Branford, Killingworth, East Lyme, Ridgefield, Redding, Monroe, Shelton, New Haven, Guilford, Old Lyme, Groton, Stonington, Easton, Orange, Old Saybrook, Trumbull, Milford, Fairfield, Bridgeport, Stamford, Norwalk, Greenwich

households
per square mile

< 4
4 - 10
10 - 50
50 - 100
100 +

Massachusetts

New York

Rhode Island

North Canaan

Hartford County

Enfield

Windsor Locks

Windsor

Tolland County

Windham County

Torrington

Litchfield County

Bloomfield

Hartford
West Hartford
East Hartford
Manchester

Mansfield

Farmington
Wethersfield

Thomaston
Bristol
Plainville New Britain
Newington
Rocky Hill

Plymouth

Watertown
Wolcott
Southington

Waterbury
Cheshire
Meriden

New Haven County

Middlesex County

New London County

New Fairfield
Brookfield
Southbury
Naugatuck
Prospect

Wallingford

Montville

Danbury
Newton
Oxford
Beacon Falls
Hamden
North Haven

Waterford

Bethel
Seymour
Woodbridge
North Branford

Redding

Ansonia
Derby
Shelton

Guilford
Essex

Fairfield County

Orange
West Haven
East Haven
Branford
Clinton

Weston

Milford

New Canaan
Stratford
Bridgeport

Westport

Stamford
Norwalk
Darien

Greenwich

0   10   20
miles

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FIGURE 4: HOUSEHOLDS EARNING LESS THAN 80% OF AMI NEEDING
AFFORDABLE RENTAL HOUSING

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SOURCE: ESRI. URBANOMICS

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County	Constrained Renters At or Below 80%	Publicly Assisted Rental Housing	CHFA Rental Market to Address Unmet Need		
			Total	30% to 50% of AMI	50% to 80% of AMI
Fairfield	29,269	19,098	10,171	8,978	1,193
Hartford	38,130	27,114	11,016	11,016	0
Litchfield	4,913	2,319	2,594	2,594	0
Middlesex	4,920	4,216	704	704	0
New Haven	39,205	23,249	15,956	15,704	252
New London	8,330	7,216	1,114	1,109	5
Tolland	3,838	2,654	1,184	1,184	0
Windham	3,790	3,646	144	144	0
Total	**132,395**	**89,512**	**42,883**	**41,434**	**1,449**

Table 2: Households Earning Up to 80% AMI Needing Affordable Rental Housing

Source: Urbanomics

Affordable Housing Supply

Connecticut has nearly 90,000 units of publicly assisted multifamily housing units, about 75% of which are in Hartford, New Haven and Fairfield Counties (see Table 3). However, this total likely undercounts the true number of affordable units, as it excludes locally designated affordable and moderate-income housing (i.e. affordable units achieved through developer incentives or zoning provisions), as well as privately rented units at below-market rents. To address this issue, available Census and HUD data were used to get a rough count of available rental units that are below current (April 2012) HUD FMRs. The analysis yielded about 11,500 available units, or 2.7% of Connecticut's total 422,776 occupied rental units.

CHFA also issues nearly 24,000 single-family home mortgages in the state, largely clustered around cities and urbanized areas, particularly Hartford, New Haven, Waterbury and Bridgeport.

A capacity analysis assessing the amount of undeveloped land in Connecticut that falls within the Office of Policy and Management's Priority Funding Areas (PFA) indicates that there is significant capacity for new multifamily housing. The state's older cities present major redevelopment opportunities, with infrastructure in place to serve large historical populations. With smaller households and fewer families with children anticipated for the future, transit-oriented development (TOD) may be especially attractive. For new development, almost 210,000 acres of land is available statewide that corresponds to growth management objectives, and would allow multifamily housing either as-of-right or by special permit.

Conclusion

The income analysis of existing housing costs and the affordability of households to pay for homeownership and rental housing indicate a need for CHFA ownership and rental programs. As shown by the analysis, some **48,000** renter households at 80% to 120% of AMI cannot afford to purchase housing, while about **43,000** renter households at or below 80% of AMI who do not reside in assisted housing cannot afford existing FMRs. Thus, the total market for CHFA's affordable housing programs is about **91,000** units.

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Table 3: Summary of Assisted Housing Stock in Connecticut

| County | CHFA Portfolio | | | | | | | | | | | | Other Affordable Housing (HUD, Federal, USDA, Unknown/Other) | | | TOTAL AFFORDABLE RENTAL UNITS* |
| | Total CHFA Units | CHFA Private Portfolio Total | LIHTC | Supportive Housing | Sect. 8 | Other | State Public Housing | | | | | LIHTC Only | Total Other Affordable Housing | Family | Elderly | |
							Total SHP Units	Elderly	Mod. Rental	Homeless	Other					
Fairfield	9,597	5,135	1,313	391	2,343	1,088	2,828	1,001	1,295	76	456	1,634	9,376	5,230	4,146	18,973
Hartford	14,480	7,783	2,637	259	2,177	2,710	4,828	1,834	1,921	265	808	1,869	12,538	8,058	4,480	27,018
Litchfield	1,181	561	308	17	196	40	462	368	52	14	28	158	1,053	456	597	2,234
Middlesex	1,725	944	151	61	125	607	663	334	198	74	57	118	2,453	1,517	936	4,178
New Haven	8,952	5,273	2,344	180	2,400	349	2,157	1,228	509	114	306	1,522	14,131	7,522	6,609	23,083
New London	4,163	2,007	674	45	988	300	1,604	987	408	41	168	552	2,975	2,020	955	7,138
Tolland	1,419	824	106	0	114	604	509	381	85	0	43	86	1,210	601	609	2,629
Windham	1,563	612	274	119	129	90	841	475	236	0	130	110	2,064	1,191	873	3,627
State	43,080	23,139	7,807	1,072	8,472	5,788	13,892	6,608	4,704	584	1,996	6,049	45,800	26,595	19,205	88,880

*Excludes a total of 632 beds in group homes statewide, as follows: 125 beds in Fairfield County, 96 beds in Hartford County, 85 beds in Litchfield County, 38 beds in Middlesex County, 166 beds in New Haven County, 78 beds in New London County, 25 beds in Tolland County and 19 beds in Windham County.

Source: Connecticut Housing Finance Authority, 2013

Connecticut clearly has an unmet need for affordable housing, both rental and ownership. This is a more critical issue in the short-term, given that demand for affordable housing is not expected to increase significantly to 2020 because of minimal anticipated population growth. Also, the large number of publicly assisted units already present in the inner cities, and much lower rents in those communities, make the affordable housing market there competitive. It is worth noting that while prospective homebuyers in the inner cities may therefore have more choices in affordable housing, they could find CHFA's homeownership programs quite attractive. As discussed, the needs analysis of this report does not take into account the detailed conditions of existing rental units.

Homeownership affordability is a more acute problem for inner-ring suburbs (except for Fairfield County, where there is unmet need in inner cities as well as suburbs). These geographies represent opportunity areas for CHFA to focus near-term resources.

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In the longer-term, given predicted growth in the 55+ population and the demonstrated tendency of its residents to age in place, there may be opportunities for CHFA to serve the elderly market. However, much of the projected increase in Connecticut's elderly population will occur in higher income brackets, who are more likely to be homeowners. Statewide on average, 25% of the increase in elderly households to 2020 is anticipated to occur among those with annual money incomes over $125,000. That portion rises as high as 48% in Fairfield County, indicating differing future needs among the elderly population across the state.