



Dannel P. Malloy
Governor

STATE OF CONNECTICUT
DEPARTMENT OF HOUSING



Evonne M. Klein
Commissioner

December 31, 2014

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 FY14 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-nine municipalities, including nine municipalities that were awarded TA funds in 2014. Eight 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 on a rolling basis.

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

Sincerely,

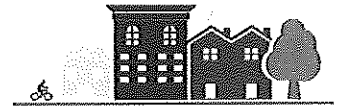
Evonne Klein
Commissioner

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



Dannel P. Malloy
Governor

STATE OF CONNECTICUT
DEPARTMENT OF HOUSING



Evonne M. Klein
Commissioner

ANNUAL REPORT

TO

THE GOVERNOR
AND
THE GENERAL ASSEMBLY

ON

INCENTIVE HOUSING ZONES

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

January 2015

Table of Contents

Authorizing Legislation	1
Program Overview	1
Program Status	2
Incentive Housing Zone Requirements	3
Other Considerations	3
Funding Incentives	4
Technical Assistance Grants	4
Zone Adoption Grants	4
Building Permit Grants	4
Application Process	5
Technical Assistance Grants	5
Pre-development Funds	5
Zone Adoption Application Process	5
Annual Report on the Program	6

Appendix

A, B and C.....List of Applicants to date

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. A unit is affordable if it costs no more than 30% of a person's annual income to live there.

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 pre-development 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.

Old Saybrook and Sharon have successfully completed all the phases of the program. These towns have successfully created affordable units under this program.

In February 2014, DOH issued the Final Approval to the Town of Canaan (Falls Village) for adopting the Incentive Housing Zone.

In March 2014, DOH also funded Towns of Westbrook and Windham the Zone Adoption payments in the amount of \$20,000 each.

In April 2014, DOH issued a letter of Preliminary Determination of Eligibility for Incentive Payments to the Town of Redding.

In November 2014, DOH issued a funding agreement to the Town of Sharon for the Building Permit Phase in the amount of \$15,000.

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 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 approximately \$2.0 million.

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

Application Process

Technical Assistance Grants

DOH is currently accepting pre-development applications on a rolling basis.

Pre-development Funds

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

Phase I pre-dev – 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 pre-dev – 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.

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:

Total funding awarded for technical assistance and pre-development activities:

Since April 1, 2008, DOH has provided technical assistance grants to 50 municipalities totaling approximately \$1.95 million.

In 2013, DOH approved additional 10 applicants for the Phase I of the pre-development fund totaling \$197,800.

In 2014, DOH approved additional 8 applicants for the Phase I of the pre-development funding totaling \$160,000 and 1 applicant for the Phase II of the predevelopment funding in the amount of \$50,000.

(1) Identify and describe the status of municipalities actively seeking letters of eligibility;

During 2014, Town of Redding sought preliminary determination of eligibility and was provided with the determination.

(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;

In February 2014, DOH provided final approval of an Incentive housing zone to the Town of Canaan (Falls Village).

In March 2014, DOH provided \$20,000 for Zone Adoption to the Towns of Westbrook and Windham.

In November 2014, DOH issued a funding agreement to the Town of Sharon for the Building Permit Phase in the amount of \$15,000

(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 – It has adopted an IHZ that totals 66 acres and the Town is proposing to create 100% affordable 14 unit townhouse development.

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

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

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

Redding – It has identified IHZs in two different areas of the town that total about 18.61 acres.

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

Torrington – The City adopted its IHZ that totals 15.96 acres.

Wallingford – Wallingford’s Planning and Zoning Commission at its meeting in September 2014 has adopted the Incentive Housing Zone. DOH is currently reviewing their submission for the final approval of their adopted IHZ.

Watertown – The town is going through the adoption process for its IHZ that totals 4.61 acres of 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 – The town has adopted an IHZ that totals 3.25 acres.

Windham – The town has adopted an IHZ that totals 10.35 acres comprising of 4 different zones.

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

DOH has made a payment of \$20,000 to each of the seven municipalities (East Lyme, New London, Old Saybrook, Sharon, Torrington, Westbrook and Windham) that have adopted incentive housing zones. DOH is also in the process of providing a payment to Canaan, the eighth municipality to adopt a zone. Old Saybrook has been awarded a building permit payment of \$15,000. In addition, DOH has issued a funding agreement to the Town of Sharon for its 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 (SHA) in partnership with Women's Institute for Housing and Economic Development broke ground in June 2013 to construct 12 townhouses. The grand opening was held on June 24, 2014.

Currently other municipalities are 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 zone adoption payments. Because there are no other projects proposed within the DOH approved IHZs, the construction time frames cannot be estimated.

Appendix A, B, and C provide a summary of the municipalities that have been approved for Technical Assistance grants and the Pre-Development funding.

As discussed earlier, 50 municipalities have been approved and are under contract for TA funding.

DOH has also approved 10 municipalities in July 2013 totaling \$197,800 and 9 municipalities in 2014 totaling \$210,000 for the Pre-Development funding.

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 accepting pre-development applications from eligible applicants on a rolling basis.**

APPENDIX A
Housing for Economic Growth Program Application Status

Municipality	Amount approved	Incentives Approved		Status of IHZ *
		Adoption Phase	Permit Phase	
				* 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
Beacon Falls	\$50,000			
Berlin	\$20,000			
Bolton	\$20,000			
Branford	\$50,000			
Bridgeport	\$35,000			
Bristol	\$20,000			
Cannan (Falls Village)	\$43,000	\$20,000		DOH provided final approval of their adopted IHZ
Canterbury	\$50,000			
Colchester	\$50,000			
Cornwall	\$43,000			
Coventry	\$50,000			
Cromwell	\$20,000			
Darien	\$45,900			
East Hampton	\$50,000			
East Hartford	\$50,000			
East Lyme	\$50,000	\$20,000		DOH provided final approval of their adopted IHZ
East Windsor	\$20,000			
Ellington	\$45,000			
Essex	\$45,000			
Goshen	\$43,000			
Hamden	\$20,000			
Hebron	\$20,000			
Ledyard	\$50,000			
Middletown	\$20,000			
New Britain	\$50,000			
New Canaan	\$20,000			
New Haven	\$20,000			
New London	\$50,000	\$20,000		DOH provided final approval of their adopted IHZ
Newtown	\$50,000			
Norfolk	\$32,300			
Norwalk	\$20,000			
Old Saybrook	\$50,000	\$20,000	\$15,000	DOH provided final approval of their adopted IHZ
Oxford	\$50,000			
Plainville	\$50,000			
Plymouth	\$50,000			
Portland	\$50,000			
Putnam	\$20,000			
Redding	\$20,000			DOH Provided preliminary determination of eligibility
Salisbury	\$39,860			
Sharon	\$34,300	\$20,000	\$15,000	DOH provided final approval of their adopted IHZ
Simsbury	\$49,900			
Thomston	\$45,000			
Tolland	\$50,000			
Torrington	\$50,000	\$20,000		DOH provided final approval of their adopted IHZ
Wallingford	\$50,000			DOH Provided preliminary determination of eligibility. DOH is reviewing their application for final approval of their adopted IHZ.
Watertown	\$20,000			DOH Provided preliminary determination of eligibility
West Haven	\$50,000			
Westbrook	\$50,000	\$20,000		DOH provided final approval of their adopted IHZ
Winchester	\$20,000			
Windham	\$50,000	\$20,000		DOH provided final approval of their adopted IHZ
	\$1,951,260	\$160,000	\$30,000	

Municipality	Amount approved	Status
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	

Municipality	Amount approved	Status
Andover	\$20,000	conducting planning studies
Barkhamsted	\$20,000	conducting planning studies
Canaan (Falls Village)	\$50,000	Undertaking pre-development activities to see if the project is financially feasible on an approved IHZ location
Clinton	\$20,000	conducting planning studies
Enfield	\$20,000	conducting planning studies
Guilford	\$20,000	conducting planning studies
Madison	\$20,000	conducting planning studies
Trumbull	\$20,000	conducting planning studies
Windsor Locks	\$20,000	conducting planning studies
TOTAL	\$210,000	