

DRAFT AFFORDABLE HOUSING

Overview

In considering the Incentive Housing Program for Canterbury, it is important to understand the dynamics of housing. This booklet is intended to identify housing trends in Canterbury

The information in this Booklet is research and discussion material intended to provoke thought and discussion on the part of the Planning and Zoning Commission

The information in this Booklet has been prepared by Planimetrics for the use of the Town and does not represent any official policy or decision of the Town of Canterbury.

Identify Housing Needs



Diversify Housing Portfolio



Utilize Existing Infrastructure



Promote Desired Growth



Change in Housing Units
% Change

1990	1,556	--
2000	1,741	12%
2007	1,903	9%
TOTAL		
1990-2007	+374	22%
<small>1990-2000 CENSUS 2000-2007 DECD</small>		

Tenure

Owner-occupied	1,479
Renter-occupied	238
Vacant	45
TOTAL	
2000 CENSUS	1,762

Housing in Canterbury

Residential Build-out Potential

Canterbury has conducted a Build-out Analysis as part of this study. The Build-out Analysis identified approximately 2,225 acres of land that could be developed for housing. When applying today's zoning requirements, this might result in an additional 1,163 housing units in Canterbury.

Recognizing that housing development is going to happen is important for Canterbury. Identifying how and where this housing should be developed is an area where Canterbury should create a meaningful strategy.

Potential Build-out

	NUMBER OF UNITS	
Current Total Housing Units	1,903	192 units = 10 percent 92 units needed today
Current "Affordable Housing" Units	100	
Build-out Numbers (Scenario 1 – See Build-out Booklet)		
Potential additional single-family units	717	
Total Housing Units¹	2,620	
Future "Affordable Housing" Units		
Total Units Needed for 10 percent threshold	262	
Units That Need to be Added	162	162 units = 23% of all new units would be needed to meet the 10% threshold at build-out

2008 Housing Appeals List, DECD; Build-out numbers by Planimetrics (Single-family residential) – Scenario 1

1. Total housing units does not include any new multi-family developments because an estimate cannot be generated at this time

Change The Perception of Housing Need

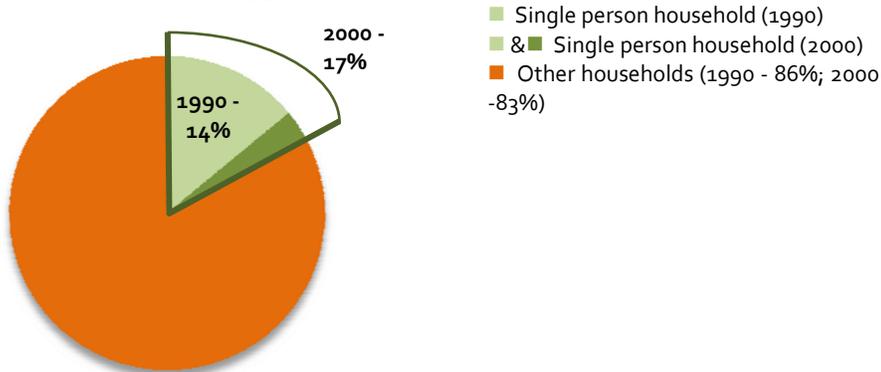
Based on Housing Trends and the Zoning Map and Zoning Regulations, it is anticipated that new housing units will be single-family houses on larger lots. Over the past 10 years about 162 new housing units were built in Canterbury. The majority of these units were single-family homes, often with 3-4 bedrooms.

While Canterbury is experiencing single-family house construction, nationwide the traditional housing needs are changing. Canterbury is also experiencing this trend and from 1997 to 2000 household size shrank from 3.5 persons per household to 2.7 persons per household a 23 percent reduction.

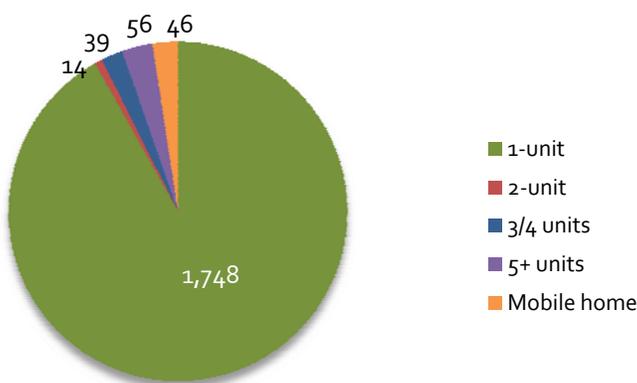
In addition, from 1990 to 2000 single-person households rose from 14 percent to 17 percent. While this is below the national trends where single-person households are about 33 percent of the nation's total. These residents may not desire a 3-4 bedroom home.

Research indicates that single-person householders are typically looking for smaller units but will adapt to a larger houses if few options exist. Providing for more single-person housing opportunities might be something for Canterbury to consider.

Household Composition 1990 and 2000



Distribution of Housing Units (2007)



Change in Consumer Housing Demand

Energy prices and road congestion accelerate the move back into metropolitan-area interiors as more people crave greater convenience in their lives. They want to live closer to work and shopping without the hassle of car dependence.

Higher-density residential projects with retail components will gain favor in the next round of building. Apartment and townhouse living looks more attractive, especially to singles and empty nesters—high utility bills, gasoline expenses, car payments, and rising property taxes make suburban-edge McMansion lifestyles decidedly less economical.

Emerging Trends in Real Estate, Urban Land Institute – 2009

Household Size

1970	3.5
1980	3.0
1990	3.0
2000	2.7
Windham County	2.6
State	2.5
US	2.6

Affordable Housing Threshold

In order to qualify as a recognized affordable unit under Connecticut General Statutes (CGS) Section 8-30g ("8-30g"), a dwelling must be:

- assisted housing (funded under a State or Federal program);
- CHFA-financed housing (financed under a program for income-qualifying persons or families); or,
- housing that is deed-restricted to be affordable to low- or moderate-income persons or families for at least 40 years.

8-30g does not apply when a community has 10 percent of its housing stock as recognized affordable housing.

Canterbury is not exempt from 8-30g

Median Income

State law requires communities to use the Median Income for the Area, or the State, whichever is lower. In 2009 the Area Median Income is **\$68,500** and the State Median Income is **\$85,700**.

Percent Affordable in Canterbury

2002	8.9%
2003	7.6%
2004	6.6%
2005	6.2%
2006	6.0%
2007	5.6%
2008	5.7%

Adjacent Towns, 2008

Brooklyn	10.5%
Lisbon	2.5%
Scotland	1.6%
Sprague	6.2%
Plainfield	14.6%

Affordable Housing in Canterbury

What is Affordable Housing?

The commonly accepted standard for affordability is that a household's monthly housing costs should not exceed 30 percent of its monthly net household income. In Connecticut, housing is usually considered "affordable" if it would meet this 30 percent standard for families that earn below 80 percent of the area median income.

In Canterbury, this translates to housing that is affordable to households earning \$68,560 or less (FY 2009, 80 percent of the State Median Income - HUD). People at or below this income bracket include service sector employees, young adults just entering the workforce, municipal employees and fixed income seniors.

The State of Connecticut developed a 10 percent threshold for Affordable Housing. While Canterbury does not meet the State's 10 percent threshold (see sidebar), the community does have a higher percentage of affordable units than can be found in adjacent communities.

Types of State Recognized Affordable Housing In Canterbury (2008)

2000 CENSUS HOUSING UNITS	GOVERNMENTALLY ASSISTED UNITS	CHFA MORTGAGES	DEED RESTRICTED	TOTAL ASSISTED	PERCENT
1,741	76	24	0	100	5.68%

Detailed Information About the Types of Eligible Units in Canterbury

FUNDING SOURCE	PROJECT NAME	PROJECT LOCATION	TOTAL UNITS	FAMILY UNITS	ELDERLY UNITS
USDA / RD	Campbell Heights Apartments	Depot Road	52	52	0
USDA / RD	Knoll Brook Village	30 Knollwood Drive	24	0	24
TOTAL			76	52	24

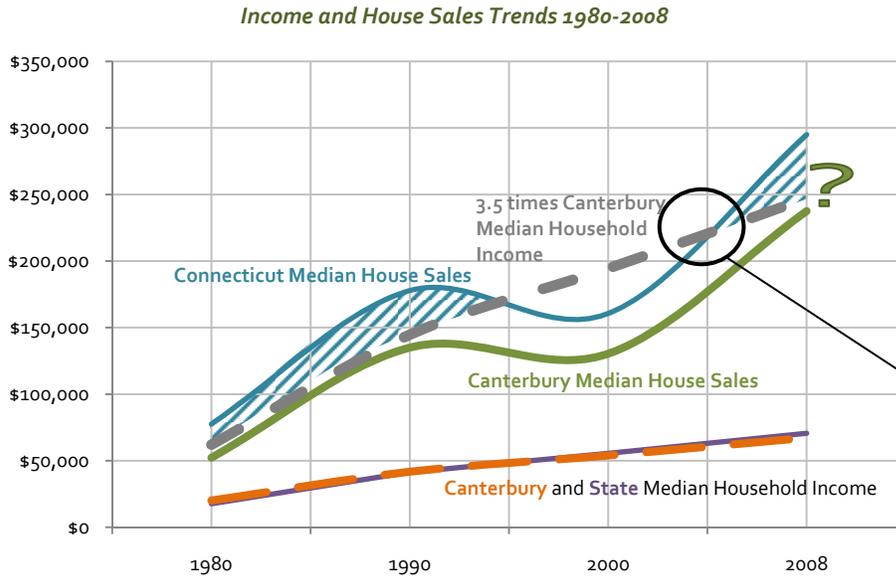
While there is no State mandate to provide "affordable housing," Connecticut General Statutes Section (CGS) 8-30g ("8-30g") can place *pressure* on Connecticut communities that fail to provide a minimum of 10 percent of all housing units as "recognized affordable housing." To be "recognized" as affordable, the housing unit has to meet the specific State criteria (see sidebar).

The *pressure* from 8-30g results from the process in which communities are required to evaluate land development proposals, and the manner in which the Connecticut Courts have determined how the law is to be enacted. 8-30g essentially reassigns the burden of proof on a land development proposals from the developer to the community (i.e. the land-use commissions). It also allows the developer to ignore local zoning requirements, often resulting in a higher-density proposal than envisioned under Town laws.

Ultimately, about 70 percent of the affordable housing developments that have proceeded to trial have resulted in a decision in favor of the developer. Some communities have decided that they want to be proactive and provide incentives for housing, rather than being reactive and dealing with 8-30g proposals when they are submitted.

Factors That Influence The Perception of Affordability

Median Household Income growth, on average, was slower than the Median House Sales Prices from 1980 to 2008. This can create a perception that housing is not affordable. The following chart depicts how Median House Sales and Median Household Income were changing over time.



	House Sales (Median Value)	% change
1980	\$52,300	---
1990	\$135,000	+158%
2000	\$130,400	-3.4%
2008	\$237,500	+82%

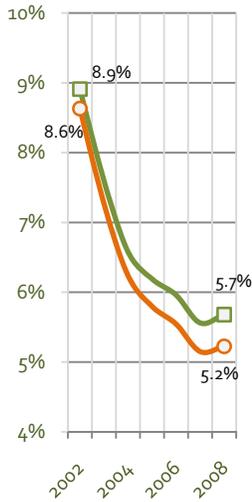
	Median Household Income	% change
1980	\$17,718	---
1990	\$41,327	+133%
2000	\$55,547	+34%
2008	\$70,602	+27%

CENSUS; CERC

House Sales exceed 3.5 times State Median Household Income – Result: Housing is less affordable

As identified in IHZ Booklet 2, housing affordability becomes an issue when the median priced house sells for more than 3.5 times the median income for the area. While sales did not exceed 3.5 times household income in Canterbury, it has occurred within the State of Connecticut.

Affordability Trend based on New Construction



DECD

CGS Section 8-30g relies on US Census data from the 2000 Census to determine the percentage of housing units that are affordable. While the data is sufficient when the Census has been updated, nine years have passed and Canterbury has seen an increase of 162 new units with zero new affordable units.

There has been a 42 percent reduction in Affordable Housing in Canterbury from 2002-2007 based on actual house construction. From 8.9 percent to 5.2 percent.

No New "Designated" Affordable Units Are Being Created...

The Legislature adopted CGS Section 8-30g in 1989 and while a number of proposals have been submitted, no qualifying "affordable housing" unit has been constructed in Canterbury.

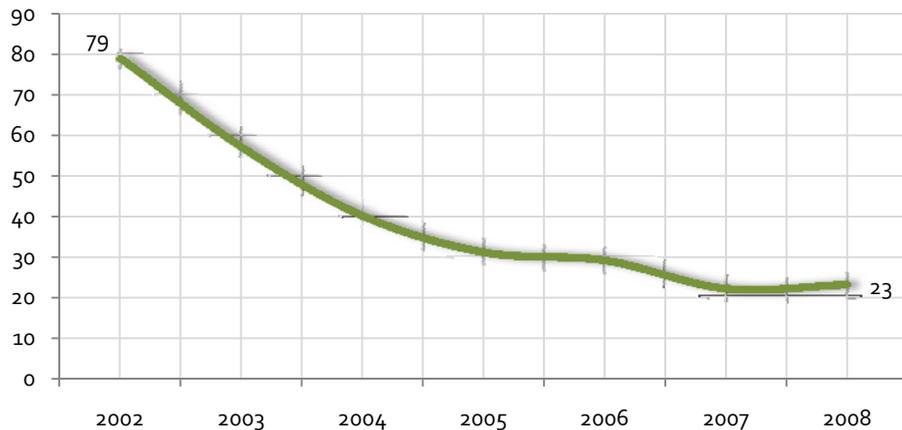
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Some Recognized Units are Especially Vulnerable...

Current 23 percent of Canterbury's "affordable housing" units are a result of special financing through the Connecticut Housing Finance Authority (CHFA). While housing units that are assisted through a mortgage assistance programs are eligible for inclusion in the CGS 8-30g 10 percent threshold, it is an area of volatility in terms of securing long-term affordability, especially when lucrative refinancing opportunities come along.

Canterbury has seen a high of 79 CHFA Mortgages over the past five years or so. While these units count towards the overall percentage of affordable units, they are not protected and will fluctuate. The graph below illustrates the number of CHFA Mortgages over this timeframe. There has been 71 percent reduction in houses financed with CHFA Mortgages.

CHFA Financed Housing Units



Certain types of affordable housing are more reliable than others, in terms of meeting the State's 10 percent threshold. It is important that a community understands whether a policy objective is a reliable tool.

Recognized Affordable Housing Policies and Programs

Privately-owned Units	CHFA Mortgages	Housing Vouchers (i.e. Section 8)	Privately-owned Development	Deed-Restricted Units	Public-owned Units/Development
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Less Reliable

More Reliable

How Many Units Are Needed To Meet the State’s 10 Percent Threshold...

There are 1,914 Housing Units in Canterbury (2008 – DECD). In order to meet the State of Connecticut threshold of 10 percent of Canterbury’s housing being deemed “affordable,” 192 units would be needed based on the current housing unit total. 262 Units would be needed at a projected build-out.

The Build-out booklet revealed that a total of 717 new single-family units of housing are anticipated to be built under current zoning regulations. The following table identifies how many units would be needed to meet the State Threshold at Build-out.

	TODAY		AT BUILD-OUT	
	Number Of Units	Percent Of All Units	Number Of Units	Percent Of All Units
Total Housing Units	1,903	100%		100%
Affordable	100	5.2%		
Units Needed for 10 Percent Threshold	92	10%		10%

Future “Affordable Housing” Units	Number Of Units	Percent Of All Units
Anticipated New Units at Build-out (Scenario 1)	2,620	100%
Number of New Units Resulting From Build-out	717	27%
Number of Units Required to Reach 10 percent at Build-out	262	10%
Current Affordable Housing Units	100	3.8%
Additional Units That Would Be Needed at Build-out	162	6.2%
Percent of All New Units That Would Have to be Affordable to Meet the 10 Percent Threshold (162/717)	23%	

2008 Housing Appeals List, DECD; CERC
See Canterbury [Build-out Analysis](#)

If it is Canterbury’s goal to achieve the State 10 percent threshold, then one option Canterbury might consider is to require that a percent of all new houses built be deed-restricted as affordable housing.

If Canterbury chose this strategy as an option, the most effective percentage to meet the 10 percent threshold appears to be 23 percent of all new houses.

What is a Build-out Analysis?

A Build-out Analysis is a theoretical exercise which evaluates the potential development that might occur based on local land-use policies.

It is a tool to help a community understand how policies can affect development and where new development may occur.

How Affordability Is Constrained by Lack of Income and Debt Payments

Conventional mortgage underwriting guidelines limit the maximum amount that can be allocated to mortgage payments to 28-30 percent of total income. In addition, the maximum amount that can be allocated to all debt payments (including mortgage payments) is 36 percent of total income.

These rules, combined with the amount of debt already accumulated and the amount of cash available for the down payment limit the ability to purchase a house.

What is affordable in Canterbury?

A household’s ability to purchase a house is constrained by a number of variables:

- Elements of personal responsibility and control, such as household income, personal and household debt accumulation, capacity to make a down payment and credit score,
- Condition of the local economy, such as local housing market conditions (supply versus demand), community tax structure, and employment-related elements such as unemployment.
- Condition of the financial markets, such as interest rates at the time of purchase, down payment requirements, and lending risk management strategies (are lenders willing to take the risk).

To understand what “affordable housing” and housing affordability represent in today’s dollars, the following information was gathered, based on standard lending practices, with assumptions (listed below) to enable a determination of the housing value that various income ranges can afford.

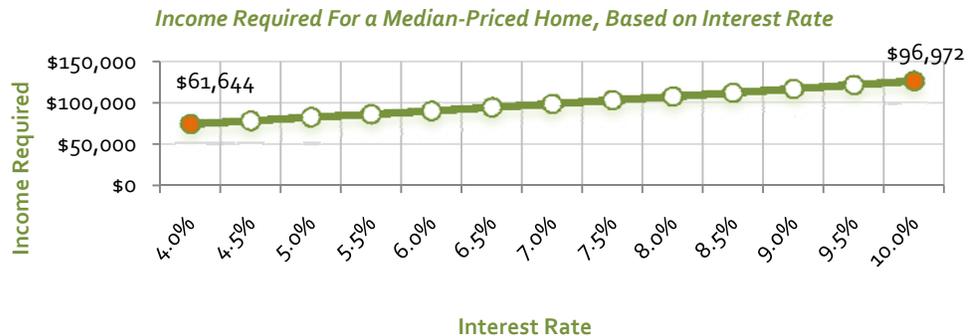
PERCENT AMI	HOUSING VALUE		ASSUMPTIONS
	0% DOWN	20% DOWN	
60 percent \$41,100	\$130,000	\$145,000	6.0 percent fixed rate – 30 year term; \$0 debt; \$2,000 taxes; \$500 insurance (\$20,000 down payment)
80 percent \$54,800	\$172,000	\$200,000	6.0 percent fixed rate – 30 year term; \$0 debt; \$3,000 taxes; \$500 insurance (\$35,000 down payment);
100 percent \$68,500	\$220,000	\$263,000	6.0 percent fixed rate – 30 year term; \$0 debt; \$3,000 taxes; \$750 insurance (\$46,000 down payment)

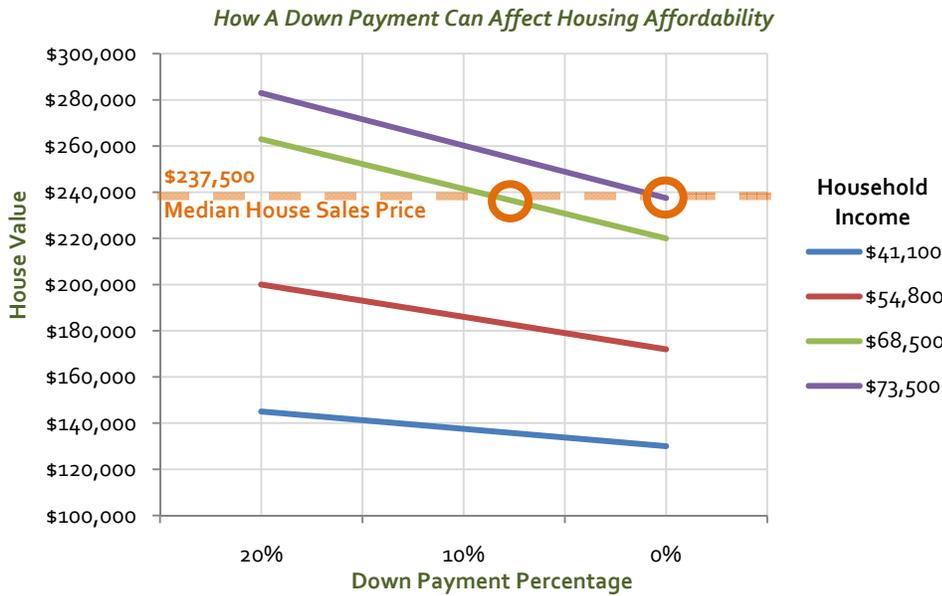
MEDIAN SALES VALUE - 2008	INCOME REQUIRED		ASSUMPTIONS
	0% DOWN	20% DOWN	
\$237,500	\$73,500 107% Percent AMI	\$62,500 91% Percent AMI	6.0 percent fixed rate – 30 year term; \$0 debt; \$3,000 taxes; \$1,000 insurance (\$46,000 down payment)

2009 AMI = \$96,700 | Sources: US HUD; CERC; Warren Group | Down = Down payment | Calculations do not include PMI (see page 9)

Interest Rates Are Key Factor in Housing Affordability

As interest rates rise, the income required to afford the median price home increases. The chart below depicts an income differential of about \$35,000 from a 4 percent rate to a 10 percent rate.





While households may not be able to afford houses in the Median Sales Value range, the median house value, as determined by the Town during the assessment process, shows that the housing values are affordable. Lower-valued housing can be considered naturally-occurring housing affordability (see sidebar). Regardless of whether these units are affordably-valued or priced, they currently do not meet the State definition of affordable.

Distribution of Housing Value

About 80 percent of Canterbury Appraised House Values and Windham County House Sales Values are below \$300,000. In Canterbury about 28% of all sales are \$300,000 and above.



Private Mortgage Insurance (PMI)

Typical home-buyers have to pay Private Mortgage Insurance (PMI) if their down payment is less than 20 percent of the sales price of the house. .

Private Mortgage Insurance (PMI) insures the lender against a home-owner defaulting on the mortgage. PMI insures the lender, and the home-buyer pays the premiums.

Some lenders may waive this requirement. Ultimately, PMI increases the monthly costs of housing and reduces a home-buyers purchasing power.

Naturally-Occurring Housing Affordability

The concept of naturally occurring housing affordability (NOHA) involves real estate values that are relatively lower because of neighborhood characteristics (e.g. overall house conditions and property sizes), house size, or some other market factor (e.g. zip codes, or school quality).

