

# Resource Guide for Building and Preserving Affordable Housing in Connecticut

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## How is Affordable Housing Defined?

Affordable housing is housing for residents earning no more than 80% of the area’s median income. In the Norwich-New London Metropolitan Area, that means that a family of four earning less than \$78,500 per year would qualify as low-income. As a rule of thumb, housing is considered affordable if its occupants are paying no more than 30% of their income towards housing costs (including mortgages, property taxes, rents, and utilities). This would mean that a family of four earning \$78,500 per year should be spending no more than \$1,963 per month.

## Affordable Housing Construction Subsidy Programs

Many examples exist throughout Connecticut of recently constructed or renovated buildings that provide affordable housing to residents. In Windham, the historic Murray Building in downtown Willimantic received significant funding for its rehabilitation, and is currently being renovated into 20 apartments, some of which will be affordable. Also in Windham, the Marcella Eastman Terrace rental development of single family homes has received funding from the State and is operated by the Willimantic Housing Authority. In nearby Killingly, a historic mill has been renovated into affordable housing through the use of significant funding from the CHFA HTCC program.



Capitol Lofts in Hartford, CT, consists of mixed-income apartments. The project financing was assisted through LIHTCs and Federal Historic Tax Credits. Photo: Dakota Partners.

## All Affordable Housing Developments

<p><a href="#">Low-Income Housing Tax Credits</a> (LIHTCs)</p>	<p>The Federal Low-Income Housing Tax Credit program is the largest source of funding for affordable housing nationwide. CHFA administers the program in Connecticut, awarding tax credits to developers of affordable housing, which can then be sold to corporations seeking to reduce their tax liability. Credits can be obtained for new construction projects or the rehabilitation of existing buildings. In 2022, the 9% LIHTC credits amounted to combined total of \$11,138,589 in tax credits, and were awarded to eight developers of affordable housing. Because of the complexity of the program, developers applying for LIHTCs for the first time may be required to bring in another developer who has experience in using LIHTCs, or in some cases may require a full partnership between the developer and a LIHTC-experienced developer.</p>
<p>Federal Home Loan Bank of Boston (FHLBB) <a href="#">Affordable Housing Program</a></p>	<p>The FHLBB provides funding for all of New England. It provides attractive grants and programs, including the <a href="#">Affordable Housing Program</a> (AHP) which has aided in the development of more than 35,000 affordable housing units in the past thirty years. The AHP can be used for new construction or renovation of existing buildings. The FHLBB provides ample <a href="#">training</a> for potential applicants, which can be helpful for first-time applicants. The assistance provided by the FHLBB is competitive, and can come in different forms. While they can and do issue grants, they also provide permanent mortgage interest buydown assistance, which can lower interest rates of mortgages to more affordable levels. In order for this to occur, the mortgages must be obtained from banks that work directly with the FHLBB.</p>

<p>Connecticut Housing Finance Authority <a href="#">Financing Options</a></p>	<p>The CHFA can provide developers with <a href="#">financing options</a> when at least 20% of a development will be affordable housing. While these options do not provide developers with a direct financial incentive, they can offer financing that is more competitive than through traditional routes. This financing could feature either a lower interest rate, or an extended loan timeframe.</p>
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### Nonprofit Affordable Housing Developments

<p><a href="#">State Housing Tax Credit Contribution</a> (HTCC)</p>	<p>Provides tax credits which can be used for gap financing for nonprofit developments. Developers can receive up to \$500,000 per year with the HTCC. This program awarded \$10,920,000 in tax credits in 2021 for the development of very low, low, and moderate income housing. On average, the program helps fund the development of an average of 650 affordable housing units per year in Connecticut. Just like the LIHTC program, there are specific conditions and criteria that must be met in order to receive the credits.</p>
<p><a href="#">Community Investment Fund</a></p>	<p>These funds are supplied by the Connecticut Department of Economic Community Development (DECD). Potential applicants for this funding can schedule virtual meetings with the DECD prior to submitting an official application, to help ensure that proposed projects would be deemed eligible for financial assistance. Community Investment Funds are also available to municipalities.</p>

### Affordable Housing in Historic Buildings

<p>Historic Building Tax Credits</p>	<p>For affordable housing that is being constructed in existing historic buildings, there is also the possibility for developers to utilize historic tax credits in addition to the specific affordable housing programs. The <a href="#">Historic Rehabilitation Tax Credit</a>, provided by the CT Department of Economic and Community Development, can provide a 30% tax credit for the rehabilitation of qualifying historic structures. To obtain the credit, at least five units of housing must be created, and at least 20% of the units (if rented) or 10% of the units (if sold) qualify as affordable. Certain projects may also be eligible for the <a href="#">Federal Historic Preservation Tax Incentive</a>, which provides a 20% federal tax credit. Both types of tax credit can be obtained for the same project.</p>
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In addition to the above programs, the Local Initiatives Support Corporation (LISC) of Connecticut provides their technical assistance program, [Housing Connections of Connecticut](#). This program helps local housing organizations form, and can assist with providing guidance in documenting housing needs, developing plans, navigating regulatory processes, identifying sites and development partners, and participating in the development process.

The list provided here is far from exhaustive, as many other specific grant opportunities also exist. Funding for affordable housing developments can also be found in non-governmental programs. There are a variety of foundations in Connecticut that are often willing to provide funding for the development of affordable housing.



*The Lofts at Ponemah Mills in Norwich, CT contains a mix of market-rate and affordable apartments. The project, which revitalized a vacant mill building, was funded with Low Income Housing Tax Credits, Federal and State Historic Tax Credits, CHFA Tax-Exempt Bonds, Department of Housing (DOH) Competitive Housing Assistance for Multifamily Properties (CHAMP) funds as well as other sources.*

## Municipal Regulations and Opportunities

Municipal regulations and processes impact the financial feasibility of both market-rate and affordable housing development. Discretionary permitting processes add uncertainty to the development process, which translates to financial risk for the property owner/developer. It may be beneficial to audit local land use regulations to determine what and where any existing issues may be. A regulatory audit is also a good opportunity to determine where any additional incentives could be added for the development of affordable housing. Incentives could also come in the form of tax incentives or financial assistance provided by the municipality to developers or to residents.

Land use regulations have the potential to offer a variety of incentives for the development of affordable housing. One of the most common incentives is the inclusion of density bonuses, which allow for the development of more units of housing than would typically be allowed on a parcel of land when a certain portion of the units will be deed-restricted as affordable.



*This mill at 42 Maple Street in Killingly was recently converted into affordable housing. Photo: Google Streets.*

Municipalities may also wish to increase the areas where housing is allowed by right. For example, many commercial zones do not allow for housing. Mixed-use developments could be allowed, or even encouraged, in these areas. Once again, certain incentives could be added into the regulations to facilitate these types of developments.

Another option that municipalities can use to increase affordable housing is to provide local tax breaks or incentives to entice developers to construct affordable units. This process would be similar to what some towns do with new businesses. In short, a town would provide some level of local property tax relief to the owner of property where affordable housing is being constructed for a pre-determined period of time.

Municipalities could also choose to help existing or potential residents with the financial costs of homeownership. The Town of Washington, CT has partnered with the Housing Development Fund to offer up to \$10,000 to eligible first-time homebuyers. Local governments may also provide tax relief to certain populations, including veterans, senior citizens, and disabled individuals.



*Victoria Gardens in Waterford, CT, which contains mixed-income housing, was constructed with assistance from LIHTCs. Photo: Affordable Housing Online*

## Programs for Residents

There are a variety of existing programs to alleviate housing costs for certain current residents, both at the State and the local level.

### Rental Assistance

Connecticut's [Rental Assistance Program](#) (RAP) is a statewide housing voucher program that supports low income families by subsidizing the rent of market-rate rental housing. Resident rental contributions are individually calculated based on household income, and are no greater than 30% of the household income. In the SCCOG region, the RAP program is administered by either the local housing authority of a municipality, or through the [Thames Valley Council for Community Action](#) (TVCCA). When the program is open and accepting applicants, residents can apply and potentially receive vouchers that can be used for any housing unit (provided the landlord will accept the vouchers). There is often a waiting list to obtain these vouchers. For renters who need additional assistance, other programs are potentially available. United Way operates the 2-1-1 hotline, which can be used for information on specific financial assistance programs. The hotline (and associated website) provide helpful resources for those needing rental payment assistance.

### Homeownership Assistance

First-time homebuyers, have access to a variety of incentive programs if they qualify. The Connecticut Housing Finance Authority (CHFA) offers special [mortgage options](#), primarily for those who are first-time homebuyers or those who have not owned a home in at least three years. CHFA mortgage programs can offer below-market interest rates and down-payment assistance for households earning up to \$112,600 per year, and are available to qualified borrowers. In addition, CHFA has a new program, [Time to Own](#), which provides forgivable down payment assistance to qualifying individuals, with the primary requirement being that the homebuyer needs to be financed through a CHFA mortgage.

For existing homeowners with a financial hardship caused by or exacerbated by the COVID-19 pandemic, CHFA administers a relatively new program, [MyHomeCT](#). Under the program, homeowners may receive up to \$30,000 in grant assistance to be used for mortgage payments, homeowner's fees, non-escrowed real estate taxes, and other costs.

### Property Tax Exemptions

Veterans of the military who served in time of war can file their discharge DD214 form with their Town Clerk to receive an exemption on local property taxes. Many municipalities also offer tax exemptions for specific populations, including volunteer firefighters, senior citizens, and blind individuals.

