

AFFORDABLE HOUSING

An Introduction to Affordable Housing in The Northwest Corner of Connecticut.
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People tend to have widely different reactions to the term “affordable housing”. For some, the term “affordable housing” is synonymous with “The Projects” – flat roofed, multi-story, multi-family, brick buildings in an urban area. For others, it is housing of last resort for the destitute. Still others see “affordable housing” as a place where their children can live and raise a family or where their friends and co-workers can find a decent place to live.

To escape the negative perceptions, some housing advocates have begun using the term “workforce housing” instead of “affordable housing”.

The purpose of this paper is to outline the affordable housing – or workforce housing - situation in the twenty towns of the Litchfield Hills Council of Elected Officials (LHCEO) and the Northwestern Ct. Council of Governments (NWCCOG).

After rising modestly – if at all – during the 1990s, housing prices in the LHCEO and the NWCCOG Regions rose markedly between 2000 and 2006. In seventeen out of the twenty towns, the percentage increase in the median sales price was over 60%. Morris’ experience was typical; the median sales prices went from \$185,000 in 2000 to \$313,000 in 2006 – an increase of 69.2%. In Sharon, the median sales price of a single family house doubled between 2000 and 2006.

In 2000, the median sales price of a single family house was above \$300,000 in only two towns; in 2006, eleven towns had median sales prices about \$300,000; in three towns, the median sales price was over \$400,000.

With the marked price increases has come increasing concerns about affordable housing. There is widespread concern that young families have been priced out of the market; that workers – teachers, clerks, town road crews, carpenters, etc. – cannot afford to live in the area. The dearth of young families in some towns has become so pronounced that one local wag referred to his town as a place where old people go to visit their parents.

Who Qualifies?

The State has a reasonable - and widely accepted - definition of affordable housing. To paraphrase that definition, affordable housing is a dwelling unit that can be purchased or rented by households, who pay no more than thirty per cent of the income for housing costs and have an income less than or equal to eighty per cent of the area’s median income.

To get a better idea of the problems faced by potential homebuyers, it is useful to estimate the financial hurdles they face. According to federal estimates, the median household income in Litchfield County in 2007 is \$79,600. A U.S. Department of Housing and Urban Development mortgage calculator allows one to estimate what a family can afford to pay for a house at different income and debt levels.

With a \$79,600 gross annual income and monthly debt of \$200 (i.e. car payments, credit card balances, college loans, etc.), a household could “afford” a house with a maximum sales price of \$302,458 and a \$257,089 mortgage. The fixed interest rate mortgage would 6.25% interest rate for 30 years. At first glance, this looks encouraging - until you look at the fine print and at housing prices.

This mortgage would require a fifteen percent down payment (\$45,369) as well as \$9,878 in closing costs – an amount few young families are likely to have.

In 2006, only two towns – Canaan and North Canaan – of the nine in the NWCCOG had median sales prices below the maximum affordable sales price. In Salisbury, Roxbury, Warren and Washington where the median sales price is over \$400,000, the chances of a family with an annual income of nearly \$80,000 finding a house they can afford are virtually nil. In the LHCEO, seven of the eleven had prices below the maximum affordable sales price.

If you drop the household income to 80% of the median (\$59,600) and make the same assumptions regarding debts, interest rates and terms, the outlook is positively bleak. Only four towns out of twenty have median sales prices below the median affordable price of \$226,464. Again, there is the somewhat unreasonable assumption regarding the funds that a household would have available at closing. In this case, the assumption is that they would have a total of \$41,602 for a down payment (\$33,970) and closing costs (\$7,633).

In recent months, there has been a great deal of media attention to the nation’s housing sector. Stories have focused on declining numbers of home sales, problems with sub-prime mortgages, and declining home prices. There is, however, no reason to believe that the Northwest Corner can count on a decline in housing prices to solve its affordable housing problems. After all, for a household with a \$60,000 annual income, a house with a sales price of \$320,000 instead of \$390,000 is still beyond reach.

Local Views

In 2006, the LHCEO and the NWCCOG surveyed chief elected officials, planning and zoning commissioners, and members of affordable housing organizations to gauge their perceptions regarding affordable housing. Fifty-three surveys from seventeen towns were returned. The majority of the responses (29) were from members of planning and zoning commissions. The survey’s major findings were:

- 43.4% of the respondents said that lack of affordable housing is a severe problem; 32.1% said that it is a major problem. Only one person said that it was not a problem.
- According to the respondents, the three greatest obstacles to providing affordable housing are: 1. shortage of reasonably priced building lots, 2. costs of constructing new housing units, and 3. lack of State and Federal grants to purchase building lots.
- “Shortage of Mortgages for Affordable Housing Units” and “Town Zoning Regulations were not considered to be major obstacles to providing affordable housing.
- The three most important actions/incentives to create affordable housing are considered to be: 1. provide grants and/or loans to purchase building lots for affordable housing

projects, 2. provide State Grants to the towns to offset any additional costs (e.g. education) associated with affordable housing, and 3. provide low interest mortgages for first time homebuyers.

- The three least effective actions/incentives are considered to be: 1. revise the town zoning regulations to encourage affordable housing, 2. make surplus state land available for affordable housing projects, and 3. provide technical assistance to local affordable housing.

Despite the obstacles, local affordable housing organizations have done a commendable job of creating affordable housing. Most towns in the two Regions have either a town housing authority or a non-profit housing corporation or both. The Litchfield Housing Trust has built the 16 unit Tannery Brook project as well as the 27 single family units. Kent Affordable Housing Inc. has developed the 24 unit South Commons. The Cornwall Housing Corporation has built 12 single family units as well as the 18 unit Kugeman Village. But, more work remains to be done.

Unfortunately, there is no single “one size fits all” program that will “solve” the Regions’ affordable housing problems. Towns will have to chip away at the problem with a multitude of approaches – creating a few affordable houses here, getting a grant to build a few apartments there, tweaking their zoning regulations to encourage accessory apartment in another place, getting a donation of a buildable lot somewhere else.

For those who want to play “what if” games with mortgages, interest rates, income, and housing prices, the federal mortgage agency, Ginnie Mae, has an easy to use calculator at www.ginniemae.gov/ypth/index.asp?subTitle=YPTH