



Housing a Region in Transition

An Analysis of Housing Needs
in Southeastern Connecticut, 2000–2005

Summary Report

Conducted by:
Southeastern Connecticut Council of Governments

In Collaboration with:
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United Way of Southeastern Connecticut

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1. Introduction

In the first decade of the new century, southeastern Connecticut faces serious housing issues of a scale and complexity not previously encountered. This document summarizes an extensive analysis into these issues. The details of that analysis may be found in the full study report.

Housing has become a growing regional concern since 2000. As a result, four agencies in 2001 came together to examine in some detail housing needs within southeastern Connecticut. Participants in the study are the Connecticut Department of Economic and Community Development, the United Way of Southeastern Connecticut, the Southeastern Connecticut Workforce Investment Board, and the Southeastern Connecticut Council of Governments. The Council of Governments served as the lead agency for the project and retained Richard B. Erickson, AICP, to conduct the study.

The objectives of the regional housing study are:

- To compile and analyze a variety of data related to the region's economy, workforce, population, and housing stock.
- To assess current regional housing needs.
- To estimate regional housing needs into the short-range future.
- To suggest a process by which a coordinated plan of action to address regional housing needs may be developed.

The overall geographic focus of the study is the Southeastern Connecticut Planning Region, as defined by the Secretary of the Connecticut Office of Policy and Management. For purposes of analysis, the housing study has divided the municipalities comprising the region into three groups: urban, suburban, and rural. These classifications include the following communities:

Urban Municipalities: Groton, New London, and Norwich.

Suburban Municipalities: Colchester, East Lyme, Griswold, Ledyard, Lisbon, Montville, Preston, Sprague, Stonington, and Waterford.

Rural Municipalities: Bozrah, Franklin, North Stonington, Salem, and Voluntown.

2. A Changing Regional Economy

The region's economy has shifted to service jobs.

Southeastern Connecticut's economy changed in fundamental ways in the last decade of the 20th century. This shift from a regional economy that was the most defense-dependent in the nation in the early 1990s to one now dominated by gaming and tourism is remarkable in at least three aspects. First, the scale of the economic restructuring is so large as to alter the region's economic base. Second, the speed at which the economy was transformed is without parallel in southeastern Connecticut's history. Third, given its scale and complexity, the shifts were achieved relatively smoothly.

In a recent study commissioned by Connecticut's Mystic & More, Dr. Timothy Tyrrell of Impact Research Associates, Inc., found that regional employment grew by about 15,000 jobs, or 15%, during the 1992-1999 period. This was a remarkably high rate of growth at a time when the region lost a major share of its defense employment and when the region's population grew by only 1%.

This rate of job growth reflected the opening of two major casinos, the first by the Mashantucket Pequot Tribal Nation in 1992 and the second by The Mohegan Tribe in 1996. These generated employment during a critical period to more than counterbalance the sharp reductions in defense jobs.

By 1999 the economic transformation of southeastern Connecticut was well advanced. Of a total regional employment in that year of about 118,000, manufacturing accounted for only 16%. In contrast, four out of every ten jobs were in the services sector. Of the service employment, about half was attributable to recreation services, which includes the casino employment.

Based on 1997 data, Dr. Tyrrell concluded that of the four industry clusters forming the core of the region's economy, the Tourism and Entertainment Cluster is the "star". Employment in this economic cluster is estimated to account for about 40% of all jobs in New London County. In contrast, the Defense Technology, Engineering & Advanced Manufacturing Cluster, which until the 1990s led the region's economy, now provides only about 10% of the region's employment.

It is clear that the Tourism and Entertainment Cluster now dominates southeastern Connecticut's economy. How this cluster fares over time will send sizable ripple effects throughout the region's economy, whether for better or worse.

One very positive effect of the economic changes discussed above is that the dire predictions of regional unemployment rates of as much as 20% due to defense downsizing did not materialize. Instead, growth in the Tourism and Entertainment Cluster, stimulated largely by the two new casinos, increased employment. As a result, unemployment in southeastern Connecticut was cut from 6.1% of the labor force in 1990 to only 3.3% in 1999. By the fall of 2001, the region's jobless rate had fallen even further, down to 2.5%, compared to 3.0% for the state as a whole.

Also reflecting the regional economic shifts are changes in the absolute and relative concentrations of employment within the major industry groups making up southeastern Connecticut's economy. By 2000, about eight out of every ten jobs within the region were provided by service producing industries. A mere two out of every ten jobs were attributable to goods producing industries. The service producing industries include the tourism and entertainment employment that was sharply stimulated by the opening of the two casinos. While this element of the regional economy was generating large numbers of new jobs, employment in goods producing industries, which includes manufacturing, suffered significant job losses as a result of downsizing in the defense sector.

Gaming is the engine of the new regional economy.

By the fall of 2001, the combined employment of Foxwoods Resort Casino and the Mohegan Sun approached 24,000 workers. This employment generation in less than a decade is nothing short of remarkable. To put this figure into perspective, the combined casino employment is more than twice that of the next largest regional employer, the U.S. Naval Submarine Base. It is estimated that indirect employment resulting from casino operations and expenditures accounts for at least another 10,000 jobs.

Nearly two-thirds of the combined workforce of both casinos are reported as living in southeastern Connecticut. Of the total number of casino workers, eight out of ten reside in Connecticut, and Connecticut and Rhode Island together account for 95% of all casino employment.

More than half the casino workers living within southeastern Connecticut reside in the group of three urban towns, Groton, New London, and Norwich. Norwich alone is home to about 4,500 casino workers, 30% of all those residing in this region. Nearly three times as many casino workers live in Norwich as in the community with the next largest number (Groton). This concentration in the urban municipalities, and notably in Norwich, places particular pressure on the housing markets, especially for low-moderate-income rental housing, in these communities.

Wage rates are a housing concern.

One negative effect of the restructuring of southeastern Connecticut's economy after 1990 has been a reduction in the collective earning power of the employed labor force. This is directly related to the loss of approximately 11,000 jobs in the manufacturing sector combined with the addition of nearly 24,000 jobs in the services sector of the region's economy. This downward shift in wage generation has a direct negative effect on the ability of a large segment of the region's employed labor force to purchase or rent suitable housing or to have a choice in the location of their housing.

In 2000, the annual average wage of workers in the region's remaining manufacturing industries was \$62,300, compared to less than \$32,000 for those employed in the growing service industries. The picture is even darker when one looks at the annual average wage for employees in amusement and recreation services, which in 2000 was less than \$27,000. Wage rates are lower still for workers in the hotels and lodging places segment of the services sector. Here the annual average wage was a bit more than \$20,000. For all industries within southeastern Connecticut in 2000, the annual average wage of nearly \$36,800 was about 20% below the comparable wage for the state as a whole.

With respect to housing needs, the shifting economy continues to create a growing pool of gainfully employed workers whose wages are not sufficient for them to compete in a tight regional housing market. Employment projections suggest that the region should expect continued growth in the service sector of its economy into the short-range future. Further growth in the service industries will heighten the need for more housing affordable by low-moderate wage earners.

3. Population Trends and Characteristics

Population growth and distribution are uneven.

Net total population growth in southeastern Connecticut can be described as stagnant over the 1990-2000 period. The net increase in population over that decade was a mere 1%, the lowest rate of growth for the region since 1800-10. By 2000, the region's total population stood at 242,759.

Population growth was not uniform throughout southeastern Connecticut. The three urban communities, Groton, New London, and Norwich, all lost population. This loss collectively amounted to more than 9,000 residents. In striking contrast, the remaining 15 regional municipalities that are suburban or rural gained nearly 11,000 new residents. As a result, all of the net population growth during the 1990s was due to gains in the suburban and rural towns. This pattern of declining urban population and growth in the less developed towns of the region continues a long-standing trend.

As population shifts geographically, so too does the demand for housing change, affecting the numbers, location, and types of housing units needed. The region's suburban and rural municipalities can expect continued pressure to accommodate additional housing for the foreseeable future.

The population is older.

During 1990-2000, southeastern Connecticut's population continued a trend of increasing age. By 2000, the average median age among the region's 18 municipalities was 37.7 years, up from 33.7 years in 1990. During the last decade, the region's population age 65 or older grew at ten times the rate of the total population. As a result, in 2000 the elderly represented 13% of all southeastern Connecticut residents.

Nearly 30% of these elderly households consisted of a single person. This amounted to nearly 9,000 single-person elderly households. Half of the region's elderly who live alone reside in the group of three urban communities of Groton, New London, and Norwich. Norwich has by far the greatest number of elderly living alone, nearly 2,000.

Both the aging of the region's population and the growing numbers of elderly who live alone have housing implications. These include the types, numbers, locations, and affordability of housing units needed for this segment of the population.

Households are changing.

Southeastern Connecticut's population is structured in several different ways, with each subgroup differing in its housing needs. The most general distinction is between the population living in group quarters and those living in households. Nearly 12,000 individuals in 2000 were living in group quarters. Group quarters consist of such facilities as convalescent homes, group homes, college dormitories, military barracks or correctional institutions. Populations in households typically live in traditional single- or multi-family housing units either as owners or renters. At the time of the 2000 census, 95% of the region's population was living in households.

Two out of every three households in southeastern Connecticut in 2000 were family households, consisting of related individuals. The number and relative percentage of family households is highest in the groups of suburban and rural towns and lowest in the group of three urban communities.

During the 1990-2000 period, the number of family households in this region with children under the age of 18 fell by nearly 650 families. This was a decline of a bit more than 2%. The region as a whole in 2000 had a total of about 30,000 family households with children under age 18.

In striking contrast to the decline (-2%) in family households with children under the age of 18 is the 30% growth in the number of families with children headed by a single parent. By 2000, nearly three out of every ten family households with children living in southeastern Connecticut were headed by a single parent, either male or female.

Single-parent families are most common in the group of three urban communities, Groton, New London, and Norwich, where they constitute nearly 40% of all family households with children under age 18. Most strikingly, in 2000 about one out of every five single-parent families with children in southeastern Connecticut lived in Norwich.

The most dramatic of the changes in household structure identified by the latest census is the increase of 22% in single-person households between 1990 and 2000. In contrast, the region's total population grew by only 1%, and the total number of households rose by less than 7%. By 2000, about one out of every four households in southeastern Connecticut consisted of a single person. This amounted to about 25,000 households. More than half of the single-person households are concentrated in the group of three urban municipalities.

All of the household characteristics described above result in pressure on the region's housing supply and production to meet needs that are changing over relatively short time periods. The sharp increase in single-person households is particularly significant. Rapid growth in single-person households, even during a period with little growth in the total population, means a growing demand for housing.

Income affects housing affordability.

Household income has a direct bearing on the ability of the region's population to purchase or rent housing suitable to their needs. It is the major determinant of whether a household will be housed well or poorly.

Estimates produced by the Connecticut Department of Economic and Community Development indicate that the median household income in southeastern Connecticut grew by about 40% between 1989 and 2000. In the latter year the regional median household income is estimated to be slightly above \$56,000. This compares with an estimated statewide median of nearly \$60,000.

Income is not distributed evenly among the population. Within the group of three urban towns, Groton, New London, and Norwich, the estimated median household income was only three-quarters of that for the region as a whole. The gap between the town with the highest median income (Ledyard) and the community with the lowest (New London) is estimated to have been nearly \$40,000 in 2000. Other analysis of the income estimates suggests that in 2000 about 28,000 of the region's households had median incomes of less than \$35,000. More than half of these households (nearly 16,000) are believed to reside in the urban communities. Fully one out of five of the households in the urban towns is estimated to have a median income of less than \$21,000.

Even allowing for some level of error in the income estimates, it is clear that the residents of the urban communities are at a financial disadvantage in relation to the rest of the region in competing for housing.

Homelessness is a growing concern.

Homelessness is a significant social issue facing southeastern Connecticut in the 21st century. A survey by the Continuum of Care for New London County (now called the Partnership on Housing and Homelessness) in 2001 developed an estimate of more than 600 homeless persons within the region. Anecdotal information suggests that this figure is conservative.

The Continuum data indicate that three population subgroups account for well over half of all the homeless within the region. These groups are: those suffering from chronic substance abuse; those with serious mental illness; those who are victims of domestic violence. These three groups are estimated to contain about seven out of every ten individuals identified as homeless and about eight out of ten homeless families with children.

Population growth is expected to require more housing.

Southeastern Connecticut's population is expected to grow more rapidly during the first decade of the 21st century than it did during the 1990-2000 period. If the forecast growth rate of 4.8% occurs, the region's total population in 2010 will be about 254,000. The bulk of this growth is expected to be in the suburban and rural towns. This growth will place more pressure on the region's housing stock and, specifically, on the suburban and rural towns to accommodate additional housing.

4. Housing Trends and Characteristics

Single-family homes dominated housing growth after 1990.

During the 1990s, the supply of housing available to the residents of southeastern Connecticut climbed to a total inventory of 102,295 units in 2000. This was an increase of nearly 6% and compares with a growth of 6.6% in total households and of only 1% in total population. This suggests a tighter regional housing market in 2000 than in 1990.

All of the net increase in housing units in the decade before 2000 was due to growth in the suburban and rural towns. Colchester alone accounted for more than 20% of the region's net increase of nearly 5,600 units. At the other extreme, the group of three urban municipalities, Groton, New London, and Norwich, experienced a net decline in housing units. This was due entirely to the loss of more than 400 units in New London.

In 2000, about two-thirds of the region's total housing stock consisted of single-family homes, and from 1990-2000, nine out of ten new units added to the supply were single-family homes. The suburban and rural towns now dominate housing growth in southeastern Connecticut. Under this condition, single-family homes will constitute a growing share of all housing available to regional residents. This means fewer options for those who do not want or cannot afford single-family homes in suburban or rural settings. It also means that the existing stock of multi-family housing, much of which is rental, will be under increased market pressure that can only result in higher housing costs.

A distinct dichotomy exists between the types of housing available in the urban towns as compared to the suburban and rural communities. In 2000, approximately

two out of every three single-family homes within southeastern Connecticut were located in the suburban and rural towns. Conversely, approximately two out of every three housing units that were not single-family, principally multi-family units, were found in the group of three urban towns. This clear separation of housing types among different groups of municipalities carries with it several economic, demographic, and social implications of long-term significance.

Housing vacancy rates have declined since 1990.

Of the 102,295 housing units identified in southeastern Connecticut in 2000, nearly 94,000 were occupied. Another 3,300 were vacant but reserved for seasonal, recreational or occasional use. The balance was classified by the census as "Other Vacant Units". It is from this pool of vacant units that housing for sale or rent comes.

Vacancy rates for both homeowner and rental units dropped by 2000 from their levels in 1990. In 2000, the average vacancy rate for homeowner units of 1.4% fell well below the 2.5% minimum generally considered desirable to assure a reasonably good range of choice for homebuyers. The rental market appears to have been somewhat better in 2000, with a vacancy rate at the time of the census of 6.4%. This is above the desirable minimum of 5.0% but is below the rate of 1990. But this conclusion should be viewed cautiously. The region's housing market clearly has gotten tighter since 2000, and continued employment growth in lower-wage jobs is increasing the demand for rental units.

Housing cost in relation to income is a critical issue.

Changes in housing cost over time reflect shifts in market conditions. The level of demand for housing in relation to supply, the types of housing desired, the size and quality of units, location, financing, and construction costs all affect the cost of housing. How housing costs rise relative to increases in income within a municipality or region determines how affordable housing may be at any point in time. And affordability is the key issue affecting how well or poorly a population will be housed.

Utilizing median household income estimates provided by the Connecticut Department of Economic and Community Development and actual median sales prices for single-family homes in 2001 compiled by the Eastern Connecticut REALTORS® Information Service, Inc., this study analyzed the relative affordability of this type of housing within southeastern Connecticut. The maximum affordability was defined as a median sales price not more than three times the median annual household income for the region or the towns being analyzed.

This analysis indicated that in relation to income, the prices of single-family homes were least affordable in Stonington, New London, Groton, and Voluntown, where actual sales prices exceeded the theoretical maximum affordable sales prices. The balance of the communities did not exceed this maximum, but nearly all were within 15% of that level. The least expensive single-family housing was found in the group of three urban towns, but when measured against the median household incomes in these communities, this housing was the least affordable.

In the suburban and rural towns, although median housing prices averaged about 20% more than in the urban group, incomes also were higher. This resulted in a more affordable housing situation for most such towns.

Analysis of 2001 data on the median sales prices of condominium units showed that these average about 50% less in cost than single-family units. However, condominium units constitute only a small share of the region's total housing stock.

Rental housing cost was analyzed using Fair Market Rent estimates for 2001 produced by the U.S. Department of Housing and Urban Development for the New London-Norwich Metropolitan Statistical Area (MSA). The rental affordability was based on the standard that housing costing more than 30% of a household's income is not affordable.

The analysis showed that a family of any size earning at least the MSA median income of \$57,300 could afford the Fair Market Rent of all five sizes of rental units studied and remain below the 30% maximum defining affordability. But, as one moves down the income curve, affordability issues begin to emerge. When the family income drops below the MSA median to the defined threshold limits of low-income population, the percentage of total income devoted to housing rises. It is at the threshold of very low income that affordability issues become the norm. For a two-person household the very low income threshold in this MSA is \$23,300 and for a four-person family it is \$29,150.

Only a two-person family in the very-low-income category renting a unit without a separate bedroom would pay less than 30% of their annual income on housing. For one- to four-bedroom units, families would pay from 32% to 45% of their income on housing.

For those in the extremely-low-income category, the issue of rental housing affordability can only be described as desperate. Incomes for this group of the population simply are not high enough to cover housing costs within the affordability definition of this study. For both the two-person and four-person families, the percentage of their limited annual incomes that would be spent to cover the Fair Market Rents ranges from a low of nearly 45% to a high of 75%. With rare exceptions, the population in the extremely-low-income group must rely on subsidy assistance in one form or another if they are to secure safe and sanitary housing.

While housing affordability has not been a major concern for most of southeastern Connecticut's population, it clearly exists as a chronic/critical issue for those households whose annual incomes fall below \$35,000. Income distribution estimates suggest that as many as 28,000 households in southeastern Connecticut may be in this difficult position. Even more pressured are the 15,000 households estimated to have annual incomes of less than \$21,000, more than half of whom are believed to live in the group of three urban communities, Groton, New London, and Norwich.

Two trends indicate that housing affordability will become a greater, more visible issue in future years. First, the region's economy continues to shift from relatively high-paying jobs in the manufacturing sector to much lower-paying employment in service

industries. Second, the number of single-person households is growing at a much more rapid rate than either the total number of households or the total population. Both trends will place increased pressure on the regional homeowner and rental housing markets with respect to numbers of available units, types of units, and affordability.

Assisted housing meets the needs of some.

Data compiled by the Connecticut Department of Economic and Community Development indicate that southeastern Connecticut contained more than 12,000 units of assisted housing out of a total inventory of 102,295 units in 2000. This is about 12% of all housing units in the region. Assisted housing consists of: 1) units which received financial assistance under any governmental program for the construction or substantial rehabilitation of low and moderate income housing and those units occupied by persons receiving rental assistance through either federal or state programs; 2) ownership units financed currently through Connecticut Housing Finance Authority and/or Farmer's Home Administration mortgages; 3) deed restricted properties.

Governmentally-assisted housing accounted for seven out of ten assisted housing units in southeastern Connecticut in 2000. Units financed with mortgages from the Connecticut Housing Finance Authority or the Farmer's Home Administration represented nearly all of the balance. Housing with deed restrictions was a negligible part of the assisted housing inventory.

The group of three urban towns, Groton, New London, and Norwich, had a much higher percentage of their total housing stock provided by assisted housing (20.3%) than did the group of ten suburban towns (5.9%) or the group of five rural towns (2.4%). About three-quarters of all assisted housing units in southeastern Connecticut in 2000 were situated in the urban municipalities.

As a result of this concentration, in only four communities, Colchester, Groton, New London, and Norwich, do assisted housing units make up more than 10% of the municipality's total housing supply. In nine municipalities, half of the total towns within the planning region, assisted housing accounts for less than 5% of the community's total housing stock.

The analysis supports the view that the urban municipalities within southeastern Connecticut carry a much heavier share of assisted housing than do the suburban and rural towns. In absolute numbers of assisted units, Groton is by far the leader, with nearly 3,800 (three out of every ten assisted housing units in the region). Norwich provides more than 3,000 assisted units, and New London has more than 2,300. These three communities together provide more than 9,000 assisted housing units, nearly three-quarters of the regional total.

Some population groups have special housing needs.

Within the general category of assisted housing are units intended for occupancy by specific subgroups of the region's population. Such housing makes it easier for certain segments of the population to find suitable accommodations and reduces pressures on the general housing supply. The more significant types of special housing include the following:

Housing for Navy Families: The U.S. Navy provides the largest number of specialized housing units in southeastern Connecticut. Out of about 3,700 Permanent Party Families at the Submarine Base in the fall of 2001, 2,125 were housed in units owned by the Navy. The balance of families secured housing in the regional community. These families are entitled to a Basic Allowance for Housing. At the time of the survey, the waiting list for admission to Navy housing contained 315 families. Navy officials cite a tight housing market and cost increases that exceed raises in military pay as problems.

Housing Provided by Local Housing Authorities: The eleven active municipal housing authorities within the region manage nearly 2,000 units of assisted housing. About 60% of these are intended for the elderly, although non-elderly disabled persons also may occupy these units. In only two municipalities, New London and Norwich, have housing authorities constructed housing for families. These two communities also contain the largest number of assisted units for the elderly. Of all the housing units in southeastern Connecticut developed and managed by local housing authorities, about three out of four are sited in New London and Norwich.

Housing for the Elderly: This study identified approximately 2,200 units of housing reserved for the elderly. This does not include accommodations in group quarters. About half of the elderly units are managed by the municipal housing authorities. Development of most of the balance has been assisted through grants, loans or mortgage insurance provided by the U.S. Department of Housing and Urban Development.

Tribal Housing: Housing constructed with federal assistance on tribal reservations constitutes a very minor portion of the total housing inventory in this region. The U.S. Department of Housing and Urban Development aided the Mashantucket Pequot Tribal Nation to build 45 units of family housing. Additionally, with tribal funds, the Mashantucket Pequot Tribal Nation has constructed 15 units for elderly tribal members. The Mohegan Tribe has not utilized federal funds for housing but has committed tribal resources to the construction of 36 units of housing for elderly tribal members.

Shelter for the Homeless: A study in early 2001 by the Continuum of Care for New London County identified various types of housing targeted to the homeless. This includes 145 beds and three apartments in nine emergency shelters. All but one of these are located in the group of three urban communities. Transitional housing, to assist homeless individuals and families to move from emergency shelters to standard accommodations, consists of an additional 140 beds and 33 apartments. These are operated by eight non-profit organizations, and all are located within the urban towns of Groton, New London, and Norwich.

The Continuum concluded that additional accommodations for the homeless in the form of emergency shelters, transitional housing, and permanent supportive housing are needed. This need consists of units/beds for 174 individuals and for 191 families with children.

5. Zoning for Housing

Zoning policies influence housing supply and distribution.

Through its zoning regulations, a town may encourage certain types of land use while discouraging others. To the extent that local zoning permits, discourages or prohibits specific types of residential development it affects the ability of the housing industry and market to meet the changing housing needs of the population.

In a 1999 study of local zoning regulations throughout southeastern Connecticut, the Council of Governments found that 90% of the land area of the region was zoned for some type of residential use. This amounts to more than 500 square miles. The group of ten suburban towns contains nearly 60% of this total residentially-zoned acreage. The rural group of five towns contain another 30%. This leaves the group of three urban towns (Groton, New London, and Norwich) with just 10% of the region's total residentially-zoned area. Significantly, these urban communities account for 44% of the region's total housing units and a whopping 65% of all renter-occupied units.

Without doubt, it is the suburban and rural communities that have the greatest potential for accommodating additional housing in the future. This underscores the importance of the residential zoning policies in the suburban and rural towns. Those policies will, to a large extent, determine whether an appropriate mix of housing at affordable prices will be available to southeastern Connecticut's population in the years ahead.

Low-density residential zoning predominates.

Of the more than 500 square miles of land zoned for residential use in the region in 1999, nearly 90% required minimum lot sizes of 40,000 square feet (a nominal acre) or more. More remarkable yet is the fact that more than 70% of the total zoned for residential use had minimum lot sizes of 60,000 square feet (1.5 acres) or more. For the region as a whole, lot sizes less than 20,000 square feet (0.5 acre) accounted for less than 5% of the total area zoned for housing. With about 55% of all residential zoning calling for minimum lots of 80,000 square feet or higher, the regional norm in residential zoning is two acres or higher. At such a high minimum size, building lots are likely to be used only for relatively expensive, single-family homes for owner occupancy.

More than 60% of the residentially-zoned land in the group of three urban towns requires a minimum lot size of less than one acre, and 30% is zoned for less than one-half acre. For the group of ten suburban towns, nearly 70% of the residential zoning calls for

minimum lots of at least 1.5 acres. In the group of five rural towns minimum lot sizes of 1.5 acres or higher are required in 95% of the residentially-zoned area. At the higher density extreme, only 2% of the residential zoning in the suburban towns calls for minimum lot sizes of less than one-half acre, and the rural towns have no acreage zoned for this higher density.

Zoning to permit multi-family housing by right is limited.

The SCCOG study of local zoning in 1999 disclosed that nearly 100,000 acres of land were designated for multi-family housing. On first glance, this appears to be a very generous allocation. However, closer inspection reveals that only 6% of this total consists of zoning districts where multi-family housing is permitted by right. For the remaining 94% of the multi-family residential zoning, such housing could be provided only through a special exception or permit, and fully 60% of such multi-family zoning is limited to elderly housing.

Most of the land zoned to accommodate multi-family housing by right is in the urban municipalities, and much of that land is developed already. Of the 6,300 acres in this zoning category throughout the region, three out of four acres are within the group of urban towns consisting of Groton, New London, and Norwich. Even more shocking is the finding that nearly 60% of the region's entire inventory of land zoned to accept multi-family housing by right is located in Norwich. This is an extraordinarily high concentration of a critically important zoning category in a single municipality. It is clear that the range of options for developing additional for-rent multi-family housing is geographically very limited.

Future housing options under current zoning policies are narrow.

The implications of the zoning pattern for higher-density housing on meeting the housing needs of the region's changing population are significant. Those unable to afford single-family homes on large lots in suburban or rural settings will, for the most part, have to look within the urban area to find more affordable housing to rent or purchase. Economic and demographic changes make housing affordability increasingly an issue for those with incomes below the regional median. Shifts in the regional economy have produced a growing number of such individuals and families.

6. Potential Areas For Higher-Density Housing

Future housing depends on the availability of building sites.

The production of housing is highly dependent on the availability of land suitably zoned to accommodate the type(s) of housing desired. To the extent that housing sites are plentiful, housing will be easier to develop and, potentially, less expensive. The reverse is true when land suitable for residential use is in short supply. Housing site availability is particularly an issue for affordable housing, where every effort must be made to control cost.

As part of this study, the SCCOG undertook a map analysis to develop a preliminary assessment of the degree to which potential sites for higher-density housing may be available. This study utilized existing land use and zoning maps to identify areas of at least 25

acres that are undeveloped and are zoned for residential use at minimum lot sizes below one acre or to permit multi-family housing by right. The analysis has a number of limitations, which may be referenced in the full report of this study. As a result of these, the findings should be viewed as a preliminary reconnaissance rather than definitive.

Building sites for future higher-density housing are scarce.

Land identified under the criteria of this study that could potentially accommodate higher-density housing is quite limited within southeastern Connecticut. The analysis identified 87 areas, ranging in size from 25 to 440 acres, that currently are undeveloped and zoned for residential use at lot sizes less than one acre. For multi-family housing permitted by right, the number of areas drops to 25, ranging in size from 25 to 190 acres.

Out of a total of 195,500 undeveloped acres in the region, 5,800 acres are in parcels of at least 25 acres and are zoned to accommodate housing at densities of less than one acre. Another 1,700 acres are zoned to permit multi-family housing by right. The combined total of only 7,500 acres identified as having potential for higher-density housing amounts to less than 4% of the total undeveloped acreage within southeastern Connecticut.

The study revealed that Norwich has by far the highest concentration both of undeveloped sites of 25 acres or more zoned for residential use at lot sizes below one acre or zoned to permit multi-family housing by right of any of the region's municipalities. Moderate amounts of undeveloped land considered potentially suitable for higher-density housing also exist in Colchester,

Groton, and Waterford. But for most communities, potential sites for future higher density housing, likely to be more affordable, are very limited or non-existent.

Even allowing for the limitations of the analysis, the findings support the anecdotal view that residential sites are in short supply and are increasingly expensive. This suggests that land to accommodate higher-density housing will be a key challenge in any regional effort to meet future housing needs.

7. Housing Education Programs

The responsibilities of home ownership can be intimidating. This is especially so for first-time homebuyers. Aside from the fundamental issue of responsible, realistic financial management, there are day-to-day issues of insurance, property maintenance and repair, and dealing with lenders, realtors, and contractors. One way to reduce the stress of first-time home owners is through educational programs that alert them to what to expect and to prepare them to deal with the issues and demands that go with home ownership.

This study identified five non-profit agencies within southeastern Connecticut that are conducting programs specifically aimed at educating people for the financial responsibilities and practical issues related to housing. These are: Eastern Connecticut Housing Opportunities (ECHO), Housing Opportunities for PEople (HOPE), Thames Valley Council for Community Action (TVCCA), Alliance for Living, and Shiloh Development Corporation. In addition to these local agencies, the Connecticut Housing Finance Authority (CHFA) participates in some housing educational efforts within the region.

The review of housing education programs reached the following conclusions:

- Only a limited number of housing education programs is available at this time, and these generally are designed for the clients of the agency sponsoring the program.
- There is no regional or countywide coordinated housing education program.
- There is no standard curriculum among the several agencies offering housing education programs.
- The number of individuals reached through the current housing education programs is quite small.
- Viewed as a whole, the present limited and fragmented housing education programs cannot successfully attract and effectively serve significant numbers of individuals who could benefit from learning about the housing system and the rights and responsibilities of renters and owners.

8. Selected Housing Assistance Programs

Efforts in both the public and private sectors to respond to housing needs that cannot be met through the general housing market depend upon support from various assistance programs of the federal and state governments. A number of federal or state agencies now offer housing aid through a broad variety of programs. Most of these programs are targeted to specific populations or to particular types of communities or project sponsors. The level of resources provided by the housing assistance programs varies widely, as does their ease of access and effectiveness.

This study reviewed more than fifty federal or state housing assistance programs that have been used or have the potential to be used in southeastern Connecticut. These are programs available through: the U.S. Department of Housing and Urban Development (HUD); the U.S. Department of Agriculture, Rural Development; the Connecticut Department of Economic and Community Development (DECD); the Connecticut Department of Social Services (DSS); the Connecticut Housing Finance Authority (CHFA). Additionally, information on the use of some of these programs in this region was obtained in the course of interviews.

The review and discussion led to the following conclusions:

- A very broad menu of public programs exists to assist in the production, maintenance, and operation of housing and to aid economically-disadvantaged individuals and families in securing safe, sanitary housing. Many of these programs have been used by a variety of entities within southeastern Connecticut.
- The very breadth and variety of the housing assistance programs can be confusing to the inexperienced. Selecting an appropriate program and working through the application process successfully calls for specialized expertise that is not always available within the organization that would like to seek assistance. An organization in this situation may need advice from among a wide variety of consultants specializing in housing assistance programs.
- The funding trail for some programs can be very complex. The popular Section 8 vouchers program provides a case in point. Funding for the program originates with the U.S. Department of Housing and Urban Development. The Section 8 funds allocated to Connecticut are assigned to the Department of Social Services, which enters into agreements with the housing authorities of New London and Norwich and with Thames Valley Council for Community Action to administer the program in New London County. The result is multiple layers of administration and oversight.

- Anecdotal information suggests that the general complexity of housing assistance programs is a difficult challenge for many agencies, particularly the smaller ones. Interviews during the course of this study revealed that compliance requirements associated with housing assistance programs are a common concern at the local agency level.
- Housing for lower-income households is concentrated in the region's urban communities. Most suburban or rural towns are widely viewed as not doing their share to accommodate needed affordable housing.
- If not addressed effectively, the region's current housing problems will worsen and could adversely affect southeastern Connecticut's ability to attract and retain the workforce necessary for a growing economy.

9. Opinions and Comments Gathered Through Surveys or Interviews

More than 80 individuals contributed to the research for this study through surveys or interviews. This aspect of the study, in addition to providing data, produced opinions or views that are summarized below.

The results of the surveys and interviews are of particular importance, since they are current assessments by a broadly varied group of individuals who deal on a regular basis with specific aspects of housing issues. We are grateful for their cooperation and frank insights.

- The shift of the region's economy from relatively high-paying jobs in the defense sector to large numbers of lower-paying jobs in gaming and tourism has sharply increased the demand for housing, especially for rental units in the low-moderate price range.
- Southeastern Connecticut is in a housing crisis characterized by a limited supply of units, limited choice of housing types and locations, and an increasing lack of affordability. The problem adversely affects single-family housing opportunities but is particularly severe for rental housing.
- Obstacles to dealing with regional housing issues are many. They include the following:
 - ▲ Sites physically suitable and appropriately zoned for housing are limited and expensive..
 - ▲ The availability of public water and sewerage systems is limited.
 - ▲ Residential builders and labor in the construction trades are in short supply.
 - ▲ Most suburban and rural towns have adopted restrictive residential zoning policies.
 - ▲ The local regulatory process affecting residential development is complex.
 - ▲ The high dependence on the property tax to fund local government makes residential development financially undesirable to most municipalities.
 - ▲ Public attitudes generally do not support the construction of additional housing, particularly lower-cost housing.

- Segments of the population least able to compete in the tight regional housing market are: the homeless, low-income individuals and families, single mothers with children, families with children at risk from lead poisoning, the lower-income elderly, and unemployed middle-aged women.
- The housing problem does not stand alone. It is intimately interwoven with regional economic development, changes in the region's population characteristics, demands on and resources of the social services system, local land use policies and regulation, and the region's infrastructure, particularly water supply, sewerage, and transportation systems.
- The scale and complexity of southeastern Connecticut's housing crisis calls for a regional response. Participants in such an effort should include the Council of Governments in a leadership role, the region's municipalities, the State of Connecticut, appropriate federal and state agencies, the two tribal nations operating casinos, other major employers, the building industry, and the many non-profit organizations concerned with some aspect of housing.

10. Estimates of Housing Need, 2000-2005

How housing need has been estimated.

Five population or housing variables are critical to developing estimates of housing need for the region over the period 2000-2005:

Regional population growth from 2000-05. This was projected to be an increase from 242,759 in 2000 to 248,600 in 2005, a growth of 2.4% over the five-year period.

The number of regional residents living in group quarters in 2005. This was assumed to be 12,000 persons in 2005, which is approximately the number living in group quarters in 2000.

The median number of persons per household in 2005. The housing estimates are based on a range of 2.47 and 2.45 persons per household in 2005. The regional median in 2000 was 2.47.

The shares of housing units occupied by owners vs. renters in 2005. In 2000 approximately 65% of all occupied housing units in the region were owner-occupied, with renter-occupied units accounting for the remaining 35%. Estimates of need produced in this study are based on the assumption that this balance between owner-occupied and renter-occupied housing will continue through 2005.

The components of vacant housing units within the total regional housing stock in 2005. The pattern of vacant housing in 2000 is assumed to continue to 2005 with two exceptions. 1) The desired vacancy rate for owner-occupancy units is set at 3.0% of all such units. 2) The desired vacancy rate for renter-occupancy units is set at 7.0% of all such units. These are above the generally accepted minimum vacancy rates of 2.5% for all ownership units and 5.0% for all rental units. The

intent in selecting vacancy rates above the minima is to encourage an easing of the tight regional housing market, to create a range of choice in housing types and locations, and to avoid further inflation of housing cost due to limited supply.

The need for new housing from 2000 to 2005 is substantial.

A range of housing need estimates is presented in the table below and the discussion that follows.

Estimates of Housing Need, 2000-2005 Southeastern Connecticut Planning Region (All estimates rounded to nearest 100.)			
Population and Housing Variables	Estimates of Population Growth and Housing Unit Needs, 2005		Comments
	Low Estimate	High Estimate	
1. Total Population	248,600	248,600	2.4% increase from 2000
2. Population in Group Quarters	12,000	12,000	11,773 in 2000
3. Population to be Housed	236,600	236,600	
4. Median Persons per Household	2.47	2.45	2.47 in 2000; 2.58 in 1990; 2.77 in 1980
5. Households to be Housed	95,800	96,600	
6. Housing Units Needed			
a. Owner-Occupied Units	62,300	62,800	65% of total, as in 2000
b. Vacant-for-Sale Ownership Units	1,900	1,900	3.0% of all ownership units
c. Subtotal, Ownership Units	64,200	64,700	
d. Renter-Occupied Units	33,500	33,800	35% of total, as in 2000
e. Vacant-for-Rent Rental Units	2,500	2,500	7% of all rental units
f. Subtotal, Rental Units	36,000	36,300	
g. Units Vacant for Seasonal, Recreational or Occasional Use	3,500	3,500	3,327 in 2000
h. Other Vacant Units	2,900	2,900	27% of all vacant units, as in 2000
i. Total Units Needed, 2005 (c+f+g+h)	106,600	107,400	
7. Total Units Available, 2000	102,300	102,300	
8. Additional Units Needed, 2000-2005			
a. Total Units	4,300	5,100	
b. Ownership Units	2,800	3,300	65% of all additional units
c. Rental Units	1,500	1,800	35% of all additional units

Source: SCCOG

The housing need estimates are built upon the projected regional population in 2005 by applying to that figure a series of demographic and housing characteristics that either are assumed to be likely or are considered desirable. This process produced a low estimated need for 4,300 additional housing units between 2000 and 2005 and a high estimate of 5,100 units. Achieving either of these estimates will be a challenge. The low estimate is the equivalent of adding 8,600 new housing units over a ten-year period, or about 3,000 more net units than were created in the 1990-2000 decade. For the high estimate, its ten-year equivalent is 10,200 new housing units, approximately 4,600 more than were produced in the decade prior to 2000.

The types of housing that would contribute most to creating more affordable ownership units are modest starter homes, duplexes, townhouses, and condominiums. Within the rental market, information gathered in this study suggests a need for more Single-Room-Occupancy units, units suitable for the elderly, units to accommodate two-person households, and units with three-four bedrooms for larger families.

The most fundamental housing need is for additional units, both ownership and rental, that will be affordable by the region's changing population. Meeting this need will call for the construction of more assisted housing. As used here, the term "assisted housing" includes housing constructed, rehabilitated, renovated, purchased or rented with some form of governmental financial support. Such support might include direct grants, loans, mortgage insurance or guarantees, or rent assistance payments.

Assisted housing constituted some 12% of all housing units in southeastern Connecticut in 2000. However, with the shifts in the region's economy resulting in most workforce growth occurring in lower-paying service employment, it is probable that the population group that needs low-moderate income housing is growing more rapidly than other population segments. This argues for a greater share of assisted units in the total housing stock developed between 2000 and 2005. Based on this rationale, this study estimates that assisted housing ought to account for 15% of the region's total new housing units between 2000 and 2005. Applying 15% to the range of estimates for all new housing needed between 2000 and 2005 results in an estimate of 650-770 new assisted units.

From both statistical data and anecdotal information examined in the course of this study, several population groups have been identified as being in need of additional assisted housing opportunities. These groups include the homeless, low-income families with children, households with children at risk of lead poisoning, low-income elderly households, and individuals who are unemployed or are earning very low wages.

Meeting the region's housing needs will be a difficult challenge.

Producing more housing units over the 2000-2005 period will require vigorous efforts by non-profit housing sponsors, public agencies, and the for-profit housing industry.

- Where possible, non-profit sponsors should be given greater resources to carry on their work and should be encouraged to consolidate or coordinate their activities.

- Local public housing authorities should be key players in responding to the region's housing needs. But unless they are reinvigorated and are provided more resources, their ability to contribute additional units to meet housing needs is in doubt.
- Even with enhanced capabilities for the non-profits or public agencies, the bulk of housing constructed or renovated within southeastern Connecticut over the next decade will be produced by the for-profit housing industry. This industry can be both flexible and innovative, and it has a substantially greater production capability than the non-profit housing sponsors. But disincentives to producing certain types of housing will discourage builders from pursuing their construction. To secure and maintain the interest of the for-profit housing industry in affordable housing, the region will have to address currently perceived disincentives regarding this type of housing and must seek to create new incentives for private entrepreneurs.

11. Next Steps

Regional cooperation is critical to meeting housing needs.

The housing challenge facing southeastern Connecticut is to produce sufficient numbers of affordable homeowner and rental units to meet the needs of all segments of the region's population. Successfully meeting this challenge will be neither easy nor swift. To do so will require that rarest and most fragile of commodities, regional cooperation. The present housing crisis can be addressed effectively only through cooperative efforts of the municipalities, tribal nations, the State of Connecticut,

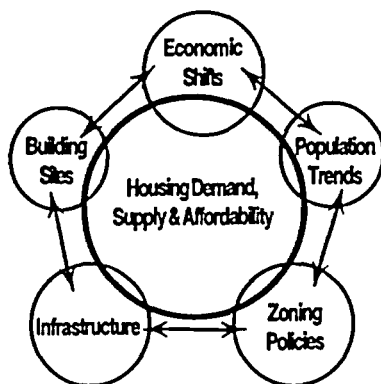
private non-profit agencies, major employers, and the housing industry. This chapter will suggest some initial steps toward the development of such a cooperative effort.

Several inter-related forces drive housing demand, supply, and affordability.

Before considering these next steps, it may be useful to re-emphasize the complexity of the forces within the region that, collectively, have created the conditions within which a regional housing crisis developed. The current housing problems are not the product of any single agent. Rather, they stem from the interaction of at least five major variables that influence housing demand, supply, and affordability. These forces are intimately interwoven and influence one another in complex ways. The five factors are:

- **Economic shifts** have replaced high-wage jobs in manufacturing with large numbers of lower-paying jobs in service industries.
- **Population trends** have resulted in a continued movement away from urban communities and into suburban areas and in a sharp increase in the number of single-person households.
- **Zoning policies** at the municipal level, particularly in the suburban and rural towns, limit the types and location of housing that would be affordable by low-moderate-income households. Zoning policies themselves reflect a complex set of issues, including community attitudes toward affordable housing, the dependence of local government on property taxes, the "quality of life", environmental protection, and the availability or lack of water and sewerage systems.

- **Limited Infrastructure**, especially water supply, sewerage, and transportation systems, inhibits the development of higher-density housing.
- **Limited building sites** that are physically suitable, appropriately zoned, and priced reasonably make it more difficult to develop affordable housing.



Developing a regional consensus on housing is a necessary first step.

Creating an environment within which the regional community can formulate specific courses of action to address housing issues calls for a high level of interactive communication. A regional consensus on what should be done, how it should be done, and who should be responsible for specific actions is an essential first step. Absent such community agreement, efforts toward meeting housing needs will continue to be fragmented and, potentially, working at cross-purposes.

Consensus-building focused on a regional response to housing issues will involve three phases of activity.

Phase One: Raising Community Awareness: The primary objective of this activity will be to disseminate as widely as possible the findings and conclusions of the regional housing study. A secondary objective will be to stimulate discussion of housing issues

throughout the region. Phase One should begin as soon after release of the published regional housing study as possible.

Primary responsibility for conducting Phase One of the consensus-building effort lies with the four agencies that sponsored the housing study and participated in its preparation. It may be most efficient to have one lead agency to coordinate the public awareness program. Because of its legal standing under the Connecticut General Statutes and its formal relationship to the region's municipalities, it would be logical for the Southeastern Connecticut Council of Governments to fill this lead agency role.

Phase Two: Seeking Stakeholder Commitment:

This phase will have two main objectives. The first is to move from building community awareness to seeking community agreement on the need for action. The second is obtaining through one or more public forums community endorsement of a representative coalition to coordinate future activities on housing issues. Phase Two could be initiated before Phase One is completed. In any event, not too much time should pass between the release of the study and the scheduling of a forum.

The conduct of Phase Two will require the sponsorship and support of the four agencies that partnered on the housing study. Again, it would be most efficient to have a single lead agency to manage this phase of the consensus building program. This could be the same agency that served as the lead in Phase One or it could be a different agency. It would be desirable that the

lead agency for Phase Two be perceived as "regional".

Phase Three: Establishing a Regional Coalition on Housing:

Initiating Phase Three depends on the outcome of the public forum(s) held in Phase Two. In a worst case, the forum discussion could be inconclusive as to the need for a housing coalition. Or the conclusion could be that some existing entity could serve that function. Possibilities include the United Way, the Council of Governments or the Partnership on Housing and Homelessness. Assuming that the forum discussion supports the formation of a regional coalition on housing, the immediate follow-up tasks include:

- The individuals or agencies to be represented on the coalition must be identified and invited to serve.
- The coalition must organize and select a chair.
- The coalition will require some staff support. Options include staff loaned by some existing agency, new staff (to be paid for by some as yet unidentified funding), or consultant assistance on an as-needed basis (again involving cost). Assistance needed will range from simple logistical support to technical research and guidance.
- Although the coalition would determine its own agenda for action, priority activities that could be considered by the coalition once it forms include the following:
 - ▲ Work with local zoning officials to review, and potentially revise, local regulations so as to minimize or eliminate disincentives to housing production.

- ▲ Work with representatives of the building industry to seek ways to create incentives for housing production.
- ▲ Work with legislators and other state officials to identify and remove systemic impediments to housing production.
- ▲ Seek to assist in strengthening the housing production capacities of local public housing authorities and non-profit housing sponsors.
- ▲ Seek the cooperation of major employers to meet the housing needs of the region's workforce.
- ▲ Monitor changing economic, demographic, and housing characteristics to refine and update estimates of housing needs upon which to base regional action.

Individuals Responding to Surveys

MUNICIPAL PLANNERS: Town of Bozrah: **Richard Serra**, Town Planner. Town of Colchester: **Harry Smith**, AICP, Planning Director. Town of East Lyme: **Meg Parulis**, Director of Planning. Town of Franklin: **James Rabbitt**, AICP, Town Planner. Town of Griswold: **Mario Tristany**, Town Planner. City of Groton: **Michael Murphy**, AICP, City Planner. Town of Groton: **Mark Oefinger**, AICP, Director of Planning and Development. Town of Ledyard: **Barbara Goodrich**, Town Planner. Town of Lisbon: **James Rabbitt**, AICP, Town Planner. Town of Montville: **Marcia Vlaun**, AICP, Town Planner. City of New London: **Peter Gillespie**, City Planner. Town of North Stonington: **Richard Cooper**, Planning Coordinator. City of Norwich: **Peter Davis**, Director of Planning and Neighborhood Services. Town of Preston: **Kathy Warzecha**, Town Planner. Town of Salem: **Heidi Samokar**, Town Planner. Town of Sprague: **Thomas Seidel**, Town Planner. Town of Stonington: **Mary Villa**, ASLA, Planning Director. Town of Waterford: **Thomas Wagner**, AICP, Director of Planning.

MUNICIPAL HOUSING AUTHORITIES: Town of Colchester: **Robert Gustafson**, Executive Director. Town of Griswold: **John Hoddy**, Executive Director. Town of Groton: **Therese Jourdan**, Executive Director. Town of Ledyard: **Jane Christensen**, Executive Director. Town of Montville: **Carol Lathrop**, Executive Director. City of New London: **Richard Leco**, Executive Director. City of Norwich: **Charles Whitty**, Executive Director. Town of Preston: **Carol Onderdonk**, Executive Director. Town of Sprague: **Marie Davis**, Senior Coordinator. Town of Stonington: **Janice Lariviere**, Office Manager. Town of Voluntown: **Joseph Theroux**, Chairman.

TRIBAL NATIONS: Mashantucket Pequot Tribal Nation: **Robert Birmingham**, Tribal Program Manager, Projects-Property Department. **Joann Frank**, Foxwoods Senior Vice President-Human Resources. **Stan Harris, Jr.**, Executive Assistant to the Tribal Chairman. **Michael Van Leesten**, Executive Assistant to the Tribal Chairman. **James Wherry**, Executive Assistant to the Tribal Chairman. The Mohegan Tribe: **Chuck Bunnell**, Deputy Chief of Staff, Mohegan Tribal Council. **Robert Soper**, Senior Vice President of Administration, Mohegan Sun.

OTHERS: **Barbara Beeler**, Navy Family Housing Director, U.S. Naval Submarine Base.

Individuals Interviewed

Peter Battles, President, Eastern Connecticut Housing Opportunities, Inc. (ECHO). **John Beauregard**, Executive Director, Workforce Investment Board of Southeastern Connecticut, Inc. **John Bolduc**, Executive Vice President, Eastern Connecticut Association of Realtors, Inc. **Chuck Bunnell**, Deputy Chief of Staff, Mohegan Tribal Council. **David Burnett**, Executive Director, Reliance House, Inc. **William Christopher**, President, Lawrence & Memorial Hospital. **John DeCiantis**, DeCiantis Construction, LLC. **Elaine Fry**, Associate Director, Reliance House, Inc. **Lee Ann Gomes**, Department of Social Services,

City of Norwich. **Barbara Goodrich**, Director of Planning, Town of Ledyard. **Dwight Goodwin**, Homeless Program Director, Reliance House, Inc. **Beverly Goulet**, Director of Social Services, City of Norwich. **Marilyn Graham**, Executive Director, Housing Opportunities for PEople, Inc. (HOPE). **Marlene Heald**, Director of Social Services, Town of Ledyard. **Sylvia Hemphill**, Executive Director, Shiloh Development Corporation. **Everett Hyde**, Shelter Building, LLC. **Thomas Hyland**, Executive Director, Martin House, Inc. **Leon Jacobs**, Tribal Manager, Mashantucket Pequot Tribal Nation. **Pamela Kilbey-Fox**, Director of Health, City of New London. **Mary Kohanski**, Vice President, Human Resources, W.W. Backus Hospital. **Erik Kudlis**, Erik's Design-Build Associates, Inc. **Kathryn Kuhn**, Community Development Director, City of Norwich. **Nick Latera**, Latera Construction, Inc. **Renee Main**, Executive Director, Builders Association of Eastern Connecticut. **John Markowicz**, Executive Director, Southeastern Connecticut Enterprise Region, Inc. **Peter McDonald**, Housing Officer, U.S. Coast Guard, New London. **Deborah Monahan**, Executive Director, Thames Valley Council for Community Action, Inc. **Michael Murphy**, Assistant Director of Planning & Development, Town of Groton. **Mark Oefinger**, Director of Planning & Development, Town of Groton. **Jane O'Leary**, Program Coordinator, Thames River Family Program, Thames River Community Service, Inc. **Janet Dinkel Pearce**, President, United Way of Southeastern Connecticut. **Michael Rosenkrantz**, Executive Director, The Alliance for Living. **William Satti**, Director, Public Affairs, Mashantucket Pequot Tribal Nation. **Charlotte Schroeder**, Assistant Director, Office of Development & Planning, City of New London. **Michael Scarpa**, Wolman Construction. **Patricia Serluca**, Social Work Supervisor, Department of Health and Social Services, City of New London. **John Shea**, Chief of Governmental Relations, General Dynamics/Electric Boat. **Tony Sheridan**, Director of Community Relations, Dominion Resources. **Lisa Shippee**, Director, Comprehensive Neighborhood Services, Thames Valley Council for Community Action, Inc. **John Smey**, Director, Catholic Charities & Family Services, Diocese of Norwich. **Robert Soper**, Senior Vice President of Administration, Mohegan Sun. **Johan Strandson**, Rural Development Manager, U.S. Department of Agriculture. **Michael Van Leesten**, Executive Assistant to Chairman Kenneth Reels, Mashantucket Pequot Tribal Nation. **Marcla Vlaun**, Director of Planning, Town of Montville. **James Wherry**, Executive Assistant to Chairman Kenneth Reels, Mashantucket Pequot Tribal Nation. **G. Christopher Widmer**, Executive Director, Alderhouse Residential Communities, Inc. **David Whitehead**, Vice President, Corporate Communications, W.W. Backus Hospital. **David Yovaisis**, Chief Development Officer, Thames Valley Council for Community Action, Inc. **Faith Bessette-Zito**, Senior Development Manager, Community & Housing Development Division, Eastern Region, Connecticut Department of Economic and Community Development.

The cooperation and assistance provided by all of the individuals responding to surveys or participating in interviews is gratefully acknowledged. Without their help, this study would not have been possible.

**ANALYSIS OF SELECTED DATA
AND UPDATED FORECASTS OF HOUSING NEED
FOR THE SOUTHEASTERN CONNECTICUT PLANNING REGION,
2000 – 2010**

Southeastern Connecticut Council of Governments

March 2004

Study Update Prepared by: Richard B. Erickson, AICP

Analysis of Selected Data and Updated Forecasts of Housing Need for the Southeastern Connecticut Planning Region, 2000 – 2010

INTRODUCTION

This report updates several elements of the 2002 report, *Housing a Region in Transition: An Analysis of Housing Needs in Southeastern Connecticut, 2000 – 2005*, and extends the forecast of regional housing needs to 2010. This updating is being performed at the request of the Southeastern Connecticut Council of Governments (SCCOG) and is intended for use by the region's Blue Ribbon Housing Initiatives Panel.

An updating of the earlier housing analysis is appropriate at this time for several reasons. First, the updating will provide an opportunity to assess the level of progress in meeting the regional housing needs anticipated in the 2002 study. Second, this current review will provide more recent information on housing cost trends throughout southeastern Connecticut. Third, with 2005 less than 12 months away, it will be useful to extend the forecast of housing needs out to 2010.

This report is organized into five sections: Population Growth and Projection, 2000 – 2010, page 1; Housing Production, 2000 – 2003, page 2; Residential Sales Prices, 2000 – 2003, page 4; Estimates of Housing Need, 2000 – 2005 and 2010, page 6; Conclusions, page 9.

POPULATION GROWTH AND PROJECTION, 2000 – 2010

In 2000 the U.S. Census of Population and Housing enumerated a total regional population of 242,759. The most recent forecast of population change within southeastern Connecticut since the census is one prepared in 2004 by the Connecticut Economic Resource Center, Inc. (CERC). That forecast was prepared for use in a Comprehensive Economic Development Strategy (CEDS) for the southeastern Connecticut region. The CEDS preparation is a joint project of the Council of Governments, the Southeastern Connecticut Enterprise Region, Inc., and a number of other participating organizations.

The CERC forecast is much more recent than that produced by the Connecticut Department of Transportation (CONNDOT) that was used in the regional housing study of 2002. Accordingly, we will use the CERC projections in a later section of this report

as the basis for extending the housing needs forecast out to 2010. The CERC forecasts are summarized in the Table 1 below.

TABLE 1: Forecast of Total Population, 2000 – 2010
Southeastern Connecticut Planning Region

Municipal Classifications	Actual, 2000	Low Forecast, 2010	High Forecast, 2010
Urban Towns (3)	101,695	93,000	94,000
Suburban Towns (10)	125,495	137,000	140,000
Rural Towns (5)	15,569	17,000	19,000
Regional Totals:	242,759	247,000	253,000

SOURCE: Connecticut Economic Resource Center, Inc.

NOTES:

1. The CERC forecasts have been rounded to the nearest 1,000.

2. The municipal classifications are:

Urban Towns: Groton, New London, and Norwich.

Suburban Towns: Colchester, East Lyme, Griswold, Ledyard, Lisbon, Montville, Preston, Spargue, Stonington, and Waterford.

Rural Towns: Bozrah, Franklin, North Stonington, Salem, and Voluntown.

It should be noted that the high total population forecast by CERC is lower by 1,000 people than the CONNDOT regional projection for 2010 (as adjusted by the SCCOG) used in the 2002 regional housing study prepared by the SCCOG. (See Table 3.24 in the 2002 regional housing study.) More significantly, CERC is projecting a continued loss of population from the group of three urban communities, while CONNDOT forecast modest growth for these communities after 2000. This conclusion by CERC is certainly open to debate. However, this point is not an impediment in the current analysis, since the housing need forecasts for this report are focused on the region as a whole.

The low forecast (247,000) by CERC for 2010 is predicated on continued employment growth in all regional industrial sectors except Leisure and Hospitality. Under the CERC low forecast, the Leisure and Hospitality sector is assumed to remain stable, with little or no growth through 2010. For the past ten years, Leisure and Hospitality has been the region's fastest growing employment sector due to the development of the Foxwoods Resort Casino and the Mohegan Sun Casino. This scenario projects a 2.0% increase in the region's population between 2000 and 2010, resulting in a net gain of about 5,000 residents.

CERC's high forecast (253,000) for 2010 anticipates employment growth in all economic sectors. This scenario indicates a 4.5% growth in the region's population between 2000 and 2010. This rate of growth is considerably higher than the 1.0% population increase for southeastern Connecticut in the 1990 - 2000 decade. The high forecast projects a population increase on the order of 10,000 over the 2000 - 2010 decade.

HOUSING PRODUCTION, 2000 - 2003

The regional housing study published in 2002 suggested that the southeastern Connecticut region had a need for between 4,300 and 5,100 additional housing units

between the total identified by the 2000 U.S. Census and 2005. The study also recommended that 35% of new housing construction should be rental units, with the remaining 65% consisting of units intended for owner occupancy.

We can assess how well the region is meeting these identified needs by examining information on the number of residential building permits issued by southeastern Connecticut municipalities between 2000 and 2003. The U.S. Census Bureau compiles such data from records submitted by municipalities. This information is summarized in Table 2 below.

TABLE 2: Residential Building Permits Issued
by Classifications of Municipalities, 2001 – 2003
Southeastern Connecticut Planning Region

Municipalities	2000	2001	2002	2003	Total, 00-03
Urban (3)	93	92	220	455	860
Suburban (10)	291	492	478	524	1,785
Rural (5)	49	79	97	88	313
TOTAL:	433	663	795	1,067	2,958

SOURCE: U.S. Bureau of the Census, Residential Construction Branch.

NOTE: The 2000 data have been adjusted to include only post-census (April 2000) permits.

Two cautionary points: 1) The above data do not reflect residential demolition permits, which average 75-100 units per year for this region. 2) The data are for building permits, issued in advance of construction. There is some potential that not all issued permits actually resulted in the construction of housing units.

As a result of these two factors, the building permit data may overstate to a minor degree the net addition to the region's stock of housing over the 2000-03 period. In spite of this, the residential building permit data provide a reasonably accurate measure of housing production for purposes of assessing progress toward meeting the region's housing needs.

The Census Bureau data show a steady rise in the number of residential building permits issued within the region from 2000 through 2003. Nearly 3,000 such permits were issued over the four-year period. Most notably, the rate of permits was highest in 2003, totaling more than 1,000 units. If this level is sustained through 2004 and 2005, the total production of new housing units over the 2000-05 period would be approximately 5,000. That figure is almost exactly the 2002 regional housing study's high estimate (5,100) for new housing units needed by the region over the 2000-05 period.

Also of concern are the types of housing for which building permits were issued. Of the nearly 3,000 units permitted from 2000-03, 2,558 units (86%) were single-family units. We can assume that almost all of these will be owner-occupied. Permits for two-family homes accounted for another 48 units, and 352 units of multifamily housing were authorized by building permits. Thus, only 14% of the total new housing units for which building permits were issued can be considered as contributing to the supply of rental housing. This is less than half the share of rental units (35%) among all new housing that was recommended in the 2002 regional housing study.

The building permit data show that the dominance of single-family homes in the region's housing inventory noted in the 2002 regional housing study continues. The increase in rental housing construction since 2000 has not kept pace with the construction of single-family, ownership housing. If this pattern persists, it can only increase pressures on the limited supply of existing rental housing units. This will, in turn, make it harder for individuals and families to find rental housing they can afford.

Whether the high permitting level of 2003 will be maintained is uncertain. This is particularly true because it was the group of three urban communities (Groton, New London, and Norwich) that produced the surge of residential permits in 2003. Collectively, the urban communities accounted for more than 40% of the 1,067 residential building permits issued in that year. The City of Norwich, alone, issued almost one-quarter of all residential building permits within southeastern Connecticut in 2003. The 247 residential building permits issued by Norwich in 2003 are about eight times the number (29) issued by the city in 2000. Absent the high housing activity in Norwich, the regional housing picture would be much less positive.

On balance, the residential building permit data suggest that the region has made some progress toward meeting the need for new housing units. However, this achievement rests on a rather narrow base of a limited number of communities that have attracted and have permitted significant numbers of units. Additionally, housing construction so far in this decade has failed to meet the need for more rental housing units. In fact, rental housing is declining as a percentage of all housing units within southeastern Connecticut.

RESIDENTIAL SALES PRICES, 2000 – 2003

Data from the Eastern Connecticut REALTORS® Information Service, Inc., shows rapidly rising sales prices for single-family homes and condominium units during the 2000-03 period. (See Table 3 below.)

For the region as a whole, the average single-family median sales price among the region's 18 municipalities grew by more than 50%. The rate of increase in the group of three urban communities was even higher, at nearly 67%. This differential suggests that single-family housing in urban settings that was considered less desirable before 2000 is now seen as more affordable and, therefore, more attractive relative to more costly housing in suburban or rural communities. (The average median sales price for single-family homes in the urban group of towns was about 20% less than that in the group of suburban towns in 2003.) The effect has been sharp price increases in the urban municipalities. This interpretation also suggests that homebuyers are facing particularly stiff competition for less expensive housing.

Condominium prices also rose significantly between 2000 and 2003, but at a growth rate of less than 40%. The rise in the average median sales prices of condominium units among the region's municipalities was less than that for single-family homes. In this case, the group of suburban towns, rather than the urban communities, experienced the highest price increases for condominium units, nearly 50%. This indicates that the

demand for housing in the suburban towns continues at a high rate and that some buyers are opting for condominium units as a more affordable way to reside in such communities. (Median sales prices for condominiums in the group of suburban towns averaged less than half the prices for single-family homes in those communities.) Once again, the evidence points to sharp demand for housing at the low-mid-range in the price curve for housing.

TABLE 3: Average Median Sales Price (MSP) for Single-family Homes and Condominium Units by Municipal Classifications, 2000 – 2003
Southeastern Connecticut Planning Region

Municipal Classifications & Residential Types	Average Among MSP, \$		Percent Increase, 2000 – 2003
	2000	2003	
URBAN: (3)			
Single-family	110,442	184,150	66.7
Condominium	63,750	74,900	17.5
SUBURBAN: (10)			
Single-family	144,880	221,502	52.9
Condominium *	70,666	104,766	48.3
RURAL: (5)			
Single-family	144,940	213,900	47.6
Condominium	**	**	**
REGIONAL TOTAL: (18)			
Single-family	139,240	213,165	53.1
Condominium ***	68,361	94,811	38.7

SOURCES: Eastern Connecticut REALTORS® Information Service, Inc., and calculations by R. Erickson.

NOTES: * 6 municipalities in 2000 and 2003. Stonington was excluded from both years because its median sales price was 2.5 – 5.0 times higher than those of other suburban communities.

** Not statistically significant.

*** 9 municipalities in 2000 and in 2003.

A comparison of the data in the above table with data contained in Table 4.8 of the regional housing study published by the SCCOG in 2002 shows the following:

- For the region as a whole, the average median sales price for single-family homes rose from \$157,250 in 2001 to \$213,165 in 2003. This is an increase of 35.6%, or an annual growth rate of 18%.
- Again, for the region as a whole, the average median sales price for condominium units rose from \$73,890 in 2001 to \$94,811 in 2003 (excluding the extremely high median condominium sales prices in Stonington in both years). This is an increase of 28.3%, or an annual growth rate of 14%.

Clearly, the upward pressure on housing cost continues and remains a serious economic and social challenge for the region.

The scope of the current housing analysis did not include examination of the cost trends in rental housing. However, one can reasonably conclude from the evidence regarding housing sales prices, plus the slower rate of construction for new rental units discussed above, that rental costs have moved upward as well. A detailed review of this topic would be a useful future task.

ESTIMATES OF HOUSING NEED, 2000 – 2005 and 2010

Tables 4 and 5 on pages 7 and 8 use the same basic methodology as that of the 2002 regional housing study to estimate housing needed in southeastern Connecticut over the 2000 - 2010 period. (See Table 10.2 in the 2002 housing study.) However, the current forecasts vary from those in the 2002 report in four respects.

- 1) The forecast methodology has been applied to the updated population projections by CERC presented in Table 1 of this report.
- 2) Projections of housing need are provided for two different time periods, 2000 – 2005 and 2000 – 2010.
- 3) The Median Persons per Household has been held at 2.45, a decline from the ratio of 2.47 found by the 2000 U.S. Census. The rationale for this decision is the more than thirty-year downward trend in persons per household plus the fact that southeastern Connecticut experienced a dramatic (22%) growth in single-person households from 1990 – 2000. The social and economic forces contributing to the substantial increase in single-person households continue and are expected to produce a further decrease in the average household size through the present decade.
- 4) The current methodology accounts for the replacement of demolished housing units, a factor that was not addressed in the 2002 analysis.

TABLE 4: Estimates of Housing Need, 2000 – 2005
Southeastern Connecticut Planning Region
(All estimates rounded to nearest 100.)

Population and Housing Variables	Estimates of Population Growth and Housing Needs, 2005		Comments
	Low Estimate	High Estimate	
1. Total Population	245,500	247,500	242,000 in 2000.
2. Population in Group Quarters	12,000	12,000	11,773 in 2000.
3. Population to be Housed	233,500	235,500	
4. Median Persons per Household	2.45	2.45	2.47 in 2000.
5. Households to be Housed	95,300	96,100	
6. Housing Units Needed			
a. Owner-occupied Units	61,900	62,500	65% of total, as in 2000.
b. Vacant-for-sale Ownership Units	1,900	1,900	3% of all ownership units.
c. Subtotal, Ownership Units	63,800	64,400	
d. Renter-occupied Units	33,400	33,600	35% of total, as in 2000.
e. Vacant-for-rent Rental Units	2,500	2,500	7.0% of all rental units.
f. Subtotal, Rental Units	35,900	36,100	
g. Units Vacant for Seasonal, Recreational or Occasional Use	3,500	3,500	3,327 in 2000.
h. Other Vacant Units	2,900	2,900	27% of all vacant units, as in 2000.
i. Replacement of Demolished Units	400	400	Average of 80 demolitions per year.
j. Total Units Needed (c+f+g+h+i)	106,500	107,300	
7. Total Units Available, 2000	102,300	102,300	
8. Additional Units Needed, 2000-05			
a. Total Units	4,200	5,000	
b. Ownership Units	2,700	3,300	65 % of all additional units.
c. Rental Units	1,500	1,700	35 % of all additional units.

The forecast for additional housing needed in southeastern Connecticut over the 2000 through 2005 period ranges from a low of 4,200 total units to a high of 5,000 units. The building permit data from Table 2 of this report show that current housing production levels, if sustained, will produce a total number of additional housing units within this range. However, available data on the types of housing units authorized by building permits indicate that the region will not reach the point where at least 35% of all new housing construction is rental units. Multifamily housing units, principally rental, accounted for only 14% of all housing units permitted within the region from 2000 through 2003.

Table 5 below provides a forecast of additional housing need in the region for the period 2000 through 2010. The low estimate of need is a total of 5,200 additional units. The high estimate suggests a need for 8,000 additional housing units over the decade. Achieving the low forecast would require sustaining an average production rate of 520 new housing units per year. Based on residential building permits issued over the past four year, this average rate appears to be achievable. The high estimate of housing need will be more of a challenge. To reach the forecast need of an additional 8,000 housing units by 2010 will require an average annual production rate of 700 units from this point forward. To reach this level, the region would have to maintain the higher production rates experienced in 2002 and 2003.

To achieve the recommended balance between ownership housing (65%) and rental housing (35%) will require a major shift in housing production away from single-family units. The experience over the past four years suggests that market forces alone will not produce such a refocusing. While the estimated need for additional rental housing may technically be accurate, recent experience indicates that the likelihood of the need being met by 2010 is questionable.

TABLE 5: Estimates of Housing Need, 2000 – 2010
Southeastern Connecticut Planning Region
(All estimates rounded to nearest 100.)

Population and Housing Variables	Estimates of Population Growth and Housing Needs, 2010		Comments
	Low Estimate	High Estimate	
1. Total Population	247,000	253,000	242,000 in 2000.
2. Population in Group Quarters	12,000	12,000	11,773 in 2000.
3. Population to be Housed	235,000	241,000	
4. Median Persons per Household	2.45	2.45	2.47 in 2000.
5. Households to be Housed	95,900	98,400	
6. Housing Units Needed			
a. Owner-occupied Units	62,300	64,000	65% of total, as in 2000.
b. Vacant-for-sale Ownership Units	1,900	2,000	3% of all ownership units.
c. Subtotal, Ownership Units	64,200	66,000	
d. Renter-occupied Units	33,600	34,400	35% of total, as in 2000.
e. Vacant-for-rent Rental Units	2,500	2,600	7.0% of all rental units.
f. Subtotal, Rental Units	36,100	37,000	
g. Units Vacant for Seasonal, Recreational or Occasional Use	3,500	3,500	3,327 in 2000.
h. Other Vacant Units	2,900	3,000	27% of all vacant units, as in 2000.
i. Replacement of Demolished Units	800	800	Average of 80 demolitions per year.
j. Total Units Needed (c+f+g+h+i)	107,500	110,300	
7. Total Units Available, 2000	102,300	102,300	
8. Additional Units Needed, 2000-10			
a. Total Units	5,200	8,000	
b. Ownership Units	3,400	5,200	65 % of all additional units.
c. Rental Units	1,800	2,800	35 % of all additional units.

CONCLUSIONS

1. The region has the potential to meet the total number of additional housing units (4,200 – 5,000) estimated as needed by 2005 if production trends over the past several years are sustained.
2. However, the region will fall far short of meeting the balance between owner-occupied housing (65%) and rental units (35%) forecast as needed by 2005 if current construction trends continue. To date, market forces alone have not been sufficient to stimulate the construction of rental housing at a rate capable of meeting anticipated need.
3. If the pace of housing construction averages at least 500 units per year over the remainder of this decade, it should be possible to produce the 5,200 total units identified as the low estimate of need between 2000 and 2010. Meeting the high estimate of total new housing units needed by 2010 (8,000) will require an average annual production rate of about 700 units over the balance of this decade. While that level of housing production was exceeded in 2002 and 2003, it may not be maintained over the longer term.
4. As was the case with the 2005 scenario, balancing the mix of owner-occupied housing (single-family and condominium units) with rental units needed in 2010 will be a challenge. For 2010, the high forecast suggests that 35% of all housing units should be rental. To achieve this, 2,800 new rental housing units would be required between 2000 and 2010. To date, only about 400 multifamily units, principally rental, have been granted building permits. Unless the rate of production for rental housing units increases dramatically, and soon, it will not be possible to meet the high estimate of rental need in 2010.
5. It appears that it will take more than market forces to stimulate rental housing production to the levels that will satisfy the anticipated needs in 2005 and 2010. Such stimulation could include a combination of financial subsidies coupled with innovative zoning changes to create a more attractive construction environment for the for-profit housing industry, coupled with expanded resources to encourage rental production by public and private, non-profit housing agencies.
6. Residential sales price data for the period 2000 through 2003 show that housing affordability remains a serious issue for the region. Over that time period, the average median sales price for single-family homes among the region's 18 municipalities grew by more than 50%. The increase for condominium units was nearly 40%. Even if housing production meets the projected number of units needed by 2005 and 2010, affordability will continue as a major concern. If production fails to meet housing demand, the price of housing will escalate further.