

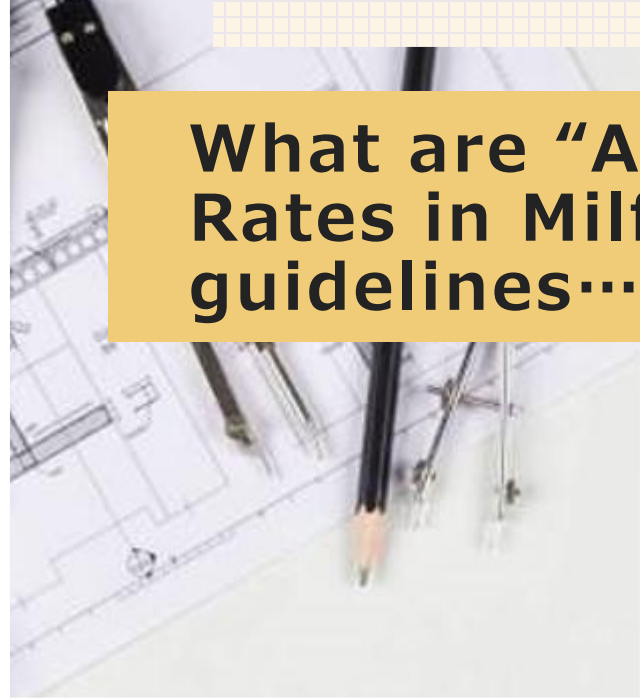


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# Inclusionary Housing, its Risks & Impacts

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# What are “Affordable Housing” Rental Rates in Milford required to meet 8-30g guidelines...

- Studio at 60% AMI - \$1,025
- Studio at 80% AMI - \$1,203
- One Bed at 60% AMI - \$1,045
- One Bed at 80% AMI - \$1,493
- Two Bed at 60% AMI - \$1,228
- Two Bed at 80% AMI - \$1,729





## The Financial Impact:

*Market Rent in Milford Less 80% Affordable Rent*

*(monthly):*

Studio     \$1900 - \$1203 = \$697

One Bed    \$2200 - \$1493 = \$707

Two Bed    \$2800 - \$1729 = \$1,071

*Impact on value using a 6% Capitalization Rate*

*Reduction in Net Operating Income (NOI) and impairment to value.*

Annual

Studio     \$-8364 / .06 = -\$139,400

One Bed    \$-8484 / .06 = -\$141,400

Two Bed    \$-12,852 / .06 = -\$214,200

***A 20% INCLUSIONARY REQUIREMENT AT 80%  
AMI AND ITS IMPACT ON A 100-UNIT  
DEVELOPMENT***

**Project Unit Mix**

**20 Studio Units  
60 One Bed Units  
20 Two Bed Units**

***Market Value as Market Rate - \$28,533,333***

**With 20% Affordable Units**

***Market Value adjusted for Affordable units - \$25,422,133***

**Total Reduction in Market Value - \$ 3,111,200**

**Again, this value is using only 80% units not 60%**



## **8-30g - Can the City ever reach 10% qualified affordable units**

- Milford has 23,749 housing units
- 1,257 units qualify for 8-30g status
- This is just 5.29%, to be released of 8-30g a town needs 10% affordable units
- Milford needs 2,375 units or 1,118 additional qualifying units to meet the 10% goal
- In 2022 Milford built 87 homes with 38 Single Family
- In 2021 Milford built 199 Homes with 36 Single Family
- In 2020 Milford built 161 Homes with 32 Single Family
- Excluding Single Family homes this is an average of 114 units per year

***With a 20% inclusionary requirement Milford would have to build 5,590 housing units to generate the additional qualifying units needed to be released of 8-30g status.***

# ***Other Material Factors to Consider***

- **At the current rate of home construction in Milford and with a 20% affordable requirement it could take over 40 years to reach the 10% 8-30g threshold.**
- **For 2023 Milford has a rating of 99 on the Affordability Index as published by ESRI/US Census Bureau. The highest (Favorable) rating is 100, the New Haven County index is 83, and Connecticut is 89. This shows that Milford's balance of housing affordability is almost perfect.**
- **During the last decade interest rate were at historic lows which improved the feasibility of 8-30g developments in Milford. With the new higher interest rate environment (rates have doubled) development activity will slow if not stop.**
- **The real estate market is changing with the continued evolution of technology. Brick and mortar retail is restructuring and reducing size across the country. Office buildings are facing significant vacancy as remote work takes hold. This will negatively affect the Milford Grand list, and property tax revenues for these property types will fall.**
- **The two-remaining real estate strongholds for Grand List growth are residential and industrial properties. Goods are shifting from grocery store shelves to warehouse shelves to support home delivery options and people always need a place to live. Technology can't dislocate the need for housing.**

# *Be Careful of Unintended Consequences*

## Supply of new housing may falter

- The requirement for affordable housing will significantly reduce the feasibility for new home construction.
- A reduction in the supply of new housing will cause existing housing units to increase rent and/or value.
- This good faith effort may have the opposite of its intended effect and reduce affordability in Milford which is near perfect now.

## The Grand List

- The changing real estate market is dynamic with lasting negative affects on property values for retail and office properties.
- Without creating a favorable real estate entailment process for residential and industrial development, taxes will rise as retail and office properties decline in value. Again, negatively affecting affordability in Milford.

# My Humble Recommendations

## Study Information

- Source up to date information to understand Milford's housing mix and affordability.
- Engage a consulting firm to study this proposal and model its potential effectiveness and outcome.

## Rezone and Rework

- Look to rezone OD,DO-10 and DO-25 to include high density multifamily.
- Leave all industrial zones unchanged.
- Review the CDD zones to increase potential density and encourage multifamily construction.

## New Categories

- Consider High-Density single-family homes for larger tracks of land. These are small houses 20 feet or so apart, held as common interest communities as to the land only.
- Reconsider RMF-9 and RMF-16 Zones and consider an RMF-25 Zone (25 units per acre).

Thank you!