JULY 2023

BREAKING GROUND

SOLUTIONS TO ADVANCE HOUSING AFFORDABILITY IN NEW HAVEN

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Contents

Executive **Summary**

This report summarizes housing data in New Haven since 2010, draws conclusions about the state of the housing market and housing affordability in the city, and makes policy recommendations for the city to implement immediately. The report primarily focuses on the severity and scale of New Haven's housing affordability problems: the severity calls for urgency and the scale calls for scalable solutions. **The report contains a few key findings:**

New Haven is deeply housing cost-burdened, in both richer and poorer neighborhoods across the city. Homelessness was declining or stagnant for much of the 2010s, but has increased since the beginning of the pandemic.

Housing was growing more affordable in the city for much of the 2010s because incomes were growing faster than rents. Progress stopped around the beginning of the pandemic.

Vacancy rates crashed during the pandemic and rents rose dramatically, primarily due to increased household formation. Most of the households were young people (18-34) moving out of shared households with roommates or their parents into smaller households.

New Haven's economy is growing, and is increasing pressure on the local housing market. Without adding 8,500 new homes in the city by the end of the decade, the city will only get more unaffordable.

In order to grow the city's housing stock to meet this goal, this report details the following policy recommendations:

- Eliminate parking requirements
- Shrink the minimum lot size
- Eliminate unit density restrictions
- Legalize Single-Room Occupancy units
- End owner-occupancy requirements for ADUs
- Upzone exclusionary neighborhoods
- Begin pre-approved plan development
- Switch to a land value tax

A NOTE ON DATA AND METHODOLOGY

This report primarily relies on the U.S. Census Bureau's American Community Survey 1-Year Estimates. ACS 1-Year Estimates only use data from one year of sampling and thus are noisy and contain more variance than ACS 5-Year estimates (which use five years of sampling). While the accuracy of five-year estimates is very helpful in certain contexts, we chose to use the one-year estimate in order to meaningfully capture the changes that occurred in the city's housing market on a year-to-year basis during and in the aftermath of the pandemic. One-year estimates are not available for 2020, so we used five-year estimates for that year. This slightly overweights pre-pandemic data for that year, so sudden changes in 2021 are likely slightly less sudden than they may appear. Where possible, we supplemented our data with other sources with larger samples or longer timeframes, and we are confident in the accuracy of the conclusions drawn from our datasets.

Introduction

In the spring of 2023, Elm City Communities/ Housing Authority of New Haven held three community events on housing in New Haven. These events brought together policy experts and community members to try to understand why New Haven's housing is so expensive, how other policies influence housing, and how different levels of government shape the housing policy landscape. Two primary ideas repeatedly surfaced in those conversations: New Haven's housing crisis is both severe and wide-ranging. The pain it causes is immediate and dire and requires urgency of action. The scale of the crisis is enormous and requires action that is proportionate.

These community conversations raised questions and helped deepen the city's understanding of the impact of its housing crisis, but did not offer concrete solutions that meet the severity and scale. This report is our attempt to do that, and to continue the work of the conversations from this past spring. We have spent the past several months diving into the data available on housing affordability in the City and attempting to put numbers to the ideas articulated in our community conversations. We have attempted to apply rigor to the ideas we explore and ensure that our analysis reflects the realities of here and now. We have explored what solutions are working in other parts of the country and what New Haven can learn from those places.

In doing so, we have focused specifically on the powers that the City of New Haven can wield and how the city can make its own change. Many advocates, organizers, and legislators are pushing for important changes at the state level, and we will continue to support their work over future legislative sessions. While New Haven's housing market is regional and our housing outcomes are deeply connected to the policy choices of neighboring towns, the City of New Haven still has policy levers available that can make housing more affordable for residents across the income spectrum. We are not solely reliant on our neighbors and our state legislature–we have the power to improve our city ourselves.

New Haven is at a crossroads. After decades of fiscal struggles and economic hardship, the city has turned a corner and its economy is growing. The city now must make a choice: to embrace exclusion, to embrace stagnation, or to embrace growth. If the city continues to pursue economic growth but does not allow for housing growth, homes will get bid up and low-income people will be priced out of the city. If the city suppresses economic growth in the pursuit of affordability, incomes will drop and people will leave, replicating New Haven's late-Twentieth Century. If the city pursues economic growth and allows for significant new housing growth, the city–and the region–will flourish, with new tax revenue, a dynamic business environment, and homes for all families to live safely and securely and build a stable life.

We believe in growth. We believe that the city can learn from a rigorous look at the last decade in housing. We believe that a serious analysis of New Haven's challenges and opportunities does not call for concern, but instead should inspire optimism. New Haven can have a bright future. New Haven need not be shackled by its circumstances, condemned to one future by its histories of segregation and urban renewal. New Haven can once again be a model city for America, a shining beacon on the Long Island Sound for inclusive and effective urban governance. But to reach that goal, New Haven must make a choice to pursue it. Our city must take action with the urgency and scale that our housing crisis demands. This report and the recommendations therein are the first step.

Housing and its **Impacts**

More than half of New Haven residents are housing cost-burdened,[1] meaning they spend more than 30% of their income on the cost of their home.[2] This is an immense number–more than 25,000 households city-wide. If the cost-burdened residents of New Haven were their own city, they would be the 9th-largest town or city in the state of Connecticut.

The housing cost-burden in New Haven does not leave any demographic out. Poorer residents of the city have greater difficulty affording a home–more than 85% of New Haven households that make less than $20,000 a year are cost-burdened by their home[3]–but nearly 39% of households making between $50,000 and $75,000 a year are also cost-burdened, and almost 8% of households making more than $75,000 a year are as well. The same pattern is visible in maps of New Haven's cost-burden rates. Cost-burden rates are highest in neighborhoods that have been historically under-resourced and have higher poverty rates, like Newhallville and Fair Haven–68% and 63% respectively. But even wealthier neighborhoods like East Rock and Westville have cost-burden rates of more than 30% (and even 40% in East Rock's case).[4]


Figure 1. Rent Burden by Neighborhood
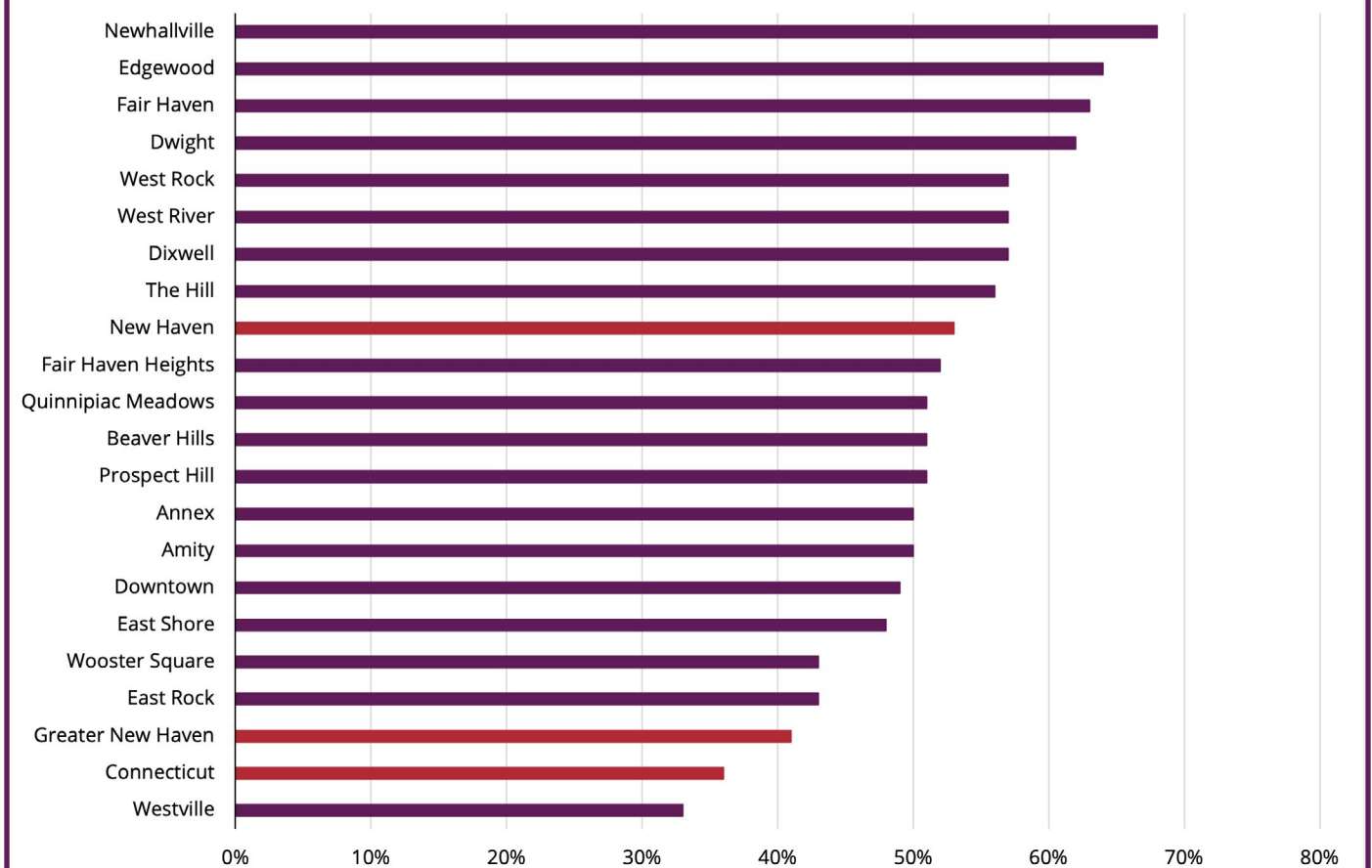
Data courtesy of DataHaven

While housing cost-burden affects more than half of New Haven residents, it is important to narrow in on the residents suffering most from housing unaffordability: those without any housing at all. Housing affordability is the primary driver of homelessness[5] and so these issues are deeply connected, but the impact of homelessness on the unhoused is much deeper than the impact of cost-burdens. To assess the scale of homelessness in the city and region, we can use both the point-in-time count and calls for service to the state's coordinated access network. Figure 2 shows the Point-in-Time count from 2016-2021 for the New Haven region, demonstrating a steady decline in homelessness.[6] That said, it is well-established that point-in-time counts systematically underestimate the number of people who are unhoused at any given moment.[7] Calls for service to 211 for housing emergencies is a better metric for understanding the total need for emergency housing support in the region, and that data is visible in Figure 3.[8] While the CAN data likely contains some noise as the system has changed and evolved over the decade, it appears to show a consistent need for support that increased as the pandemic started and has sustained even as the pandemic has waned.

Figure 2. Homeless Point-in-Time Count (New Haven Region)

Figure 3. CAN Calls for Service (New Haven County)
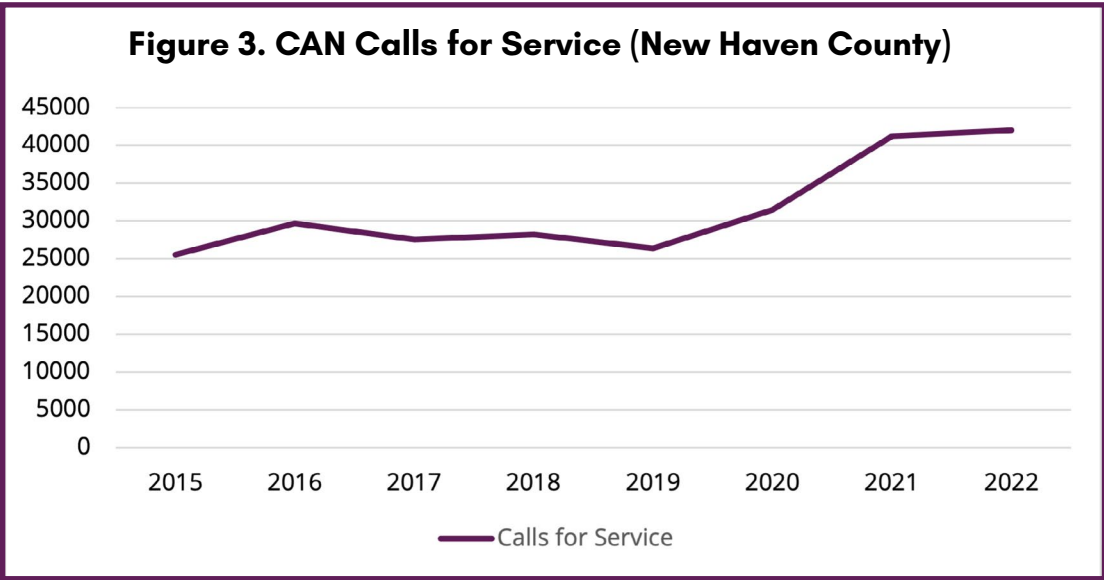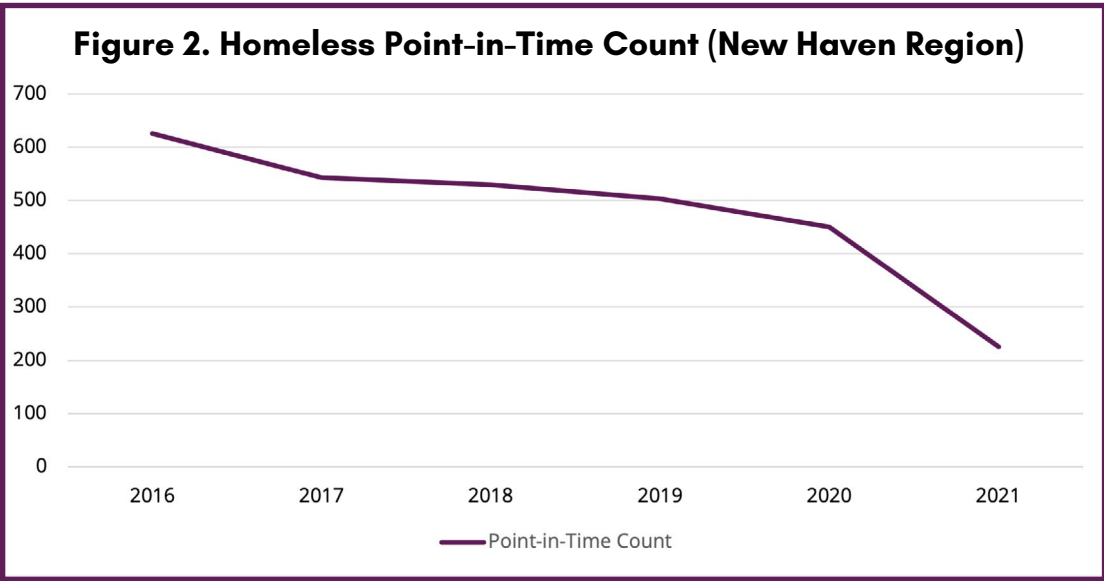
Even for New Haven residents who are housed and who are not necessarily cost-burdened, New Haven's housing has significant challenges. Much of the city lives in low-quality housing or housing that does not meet current quality standards. While the City of New Haven does not have direct data on housing quality there are usable proxies for housing quality in the city and region. The most obvious is the age of the structure, and that data is visible in Figure 4.[9] Comparing the city to housing nationwide, our homes are much older. Nearly half of the current homes in New Haven were built before 1940 and more than 75% were built before 1978–when lead paint was banned.[10] Old housing is more likely to contain environmental hazards[11] and is less likely to be well-insulated or energy efficient.[12] It is no surprise, then, that New Haven has a higher rate of lead poisoning than Flint, MI, did during its water crisis,[13] and no surprise either that the city's second biggest source of greenhouse gas emissions are its buildings.[14]


Figure 4. Homes by Year Built
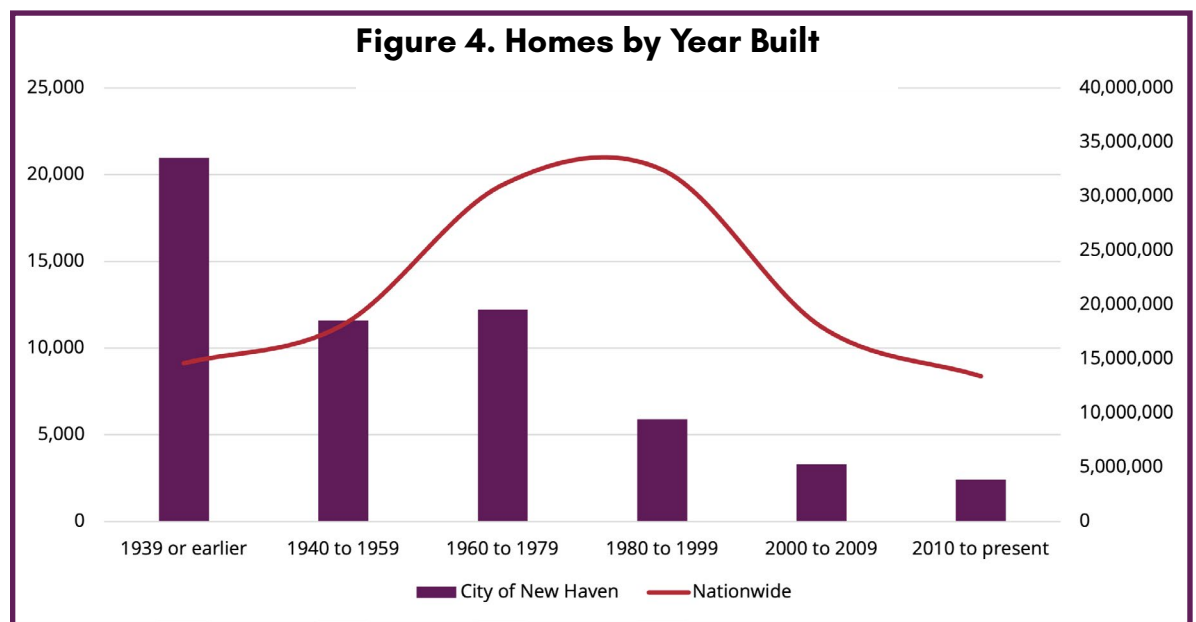
While it's incomplete, we can also begin to approximate the scale of housing quality problems in the city through data on Housing Quality Inspections required by Elm City Communities/Housing Authority of New Haven's Housing Choice Voucher program. Before a family can sign a lease with a voucher, the unit must be inspected and pass the federal Housing Quality Standards inspection. Over the last ten years, 38% of units have failed their initial inspection when attempting to lease up to a tenant with a voucher.[15] While the relative affordability of units available to voucher holders likely mean that this is an overrepresented sample citywide, the scale of the sample and the consistency of housing typologies in the city indicate that the percent of homes citywide that would fail this inspection is significant.

WHAT HAS HAPPENED OVER THE LAST DECADE?

With the state of housing in the city established, the next question is how housing has changed in the city and region over the last decade– and how it will continue to change over the next. At baseline, housing costs in New Haven and Connecticut have been steadily increasing since the 2008 housing crash and Great Recession.[16] This is not in and of itself unusual–housing costs have increased for much of the last fifty years, in the city, the county, and the country. Figure 5 shows the Housing Price Index[17] for the United States, State of Connecticut, New Haven County, and City of New Haven over the last 48 years.[18] As is evident in the chart, prices for housing have climbed significantly across time and jurisdictions, falling in moments of financial crisis but rebounding shortly afterwards.
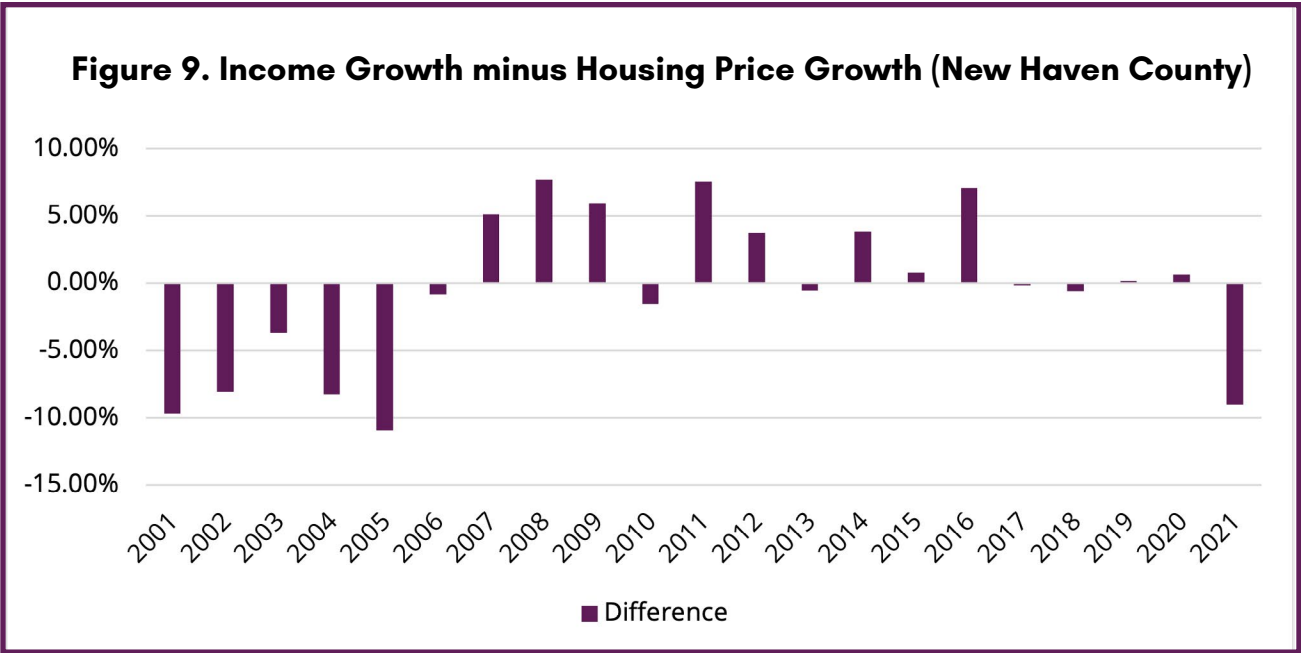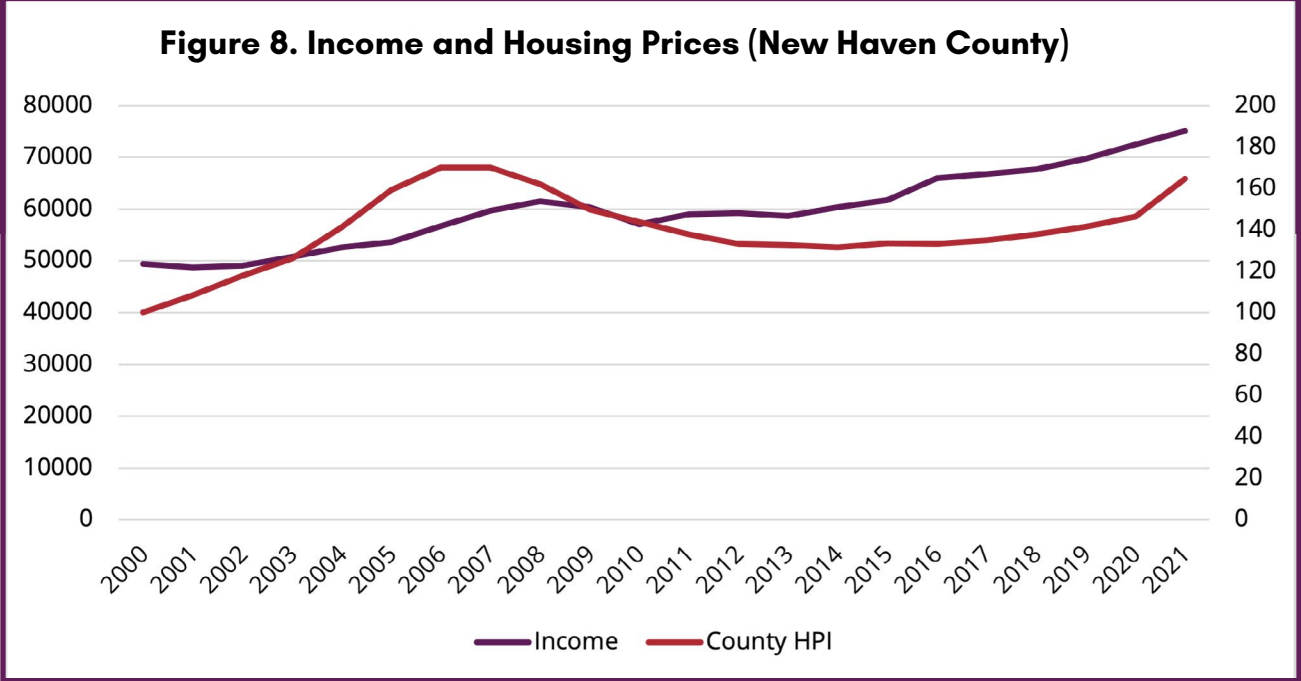

Figure 5. Home Price Index 1975 to Present
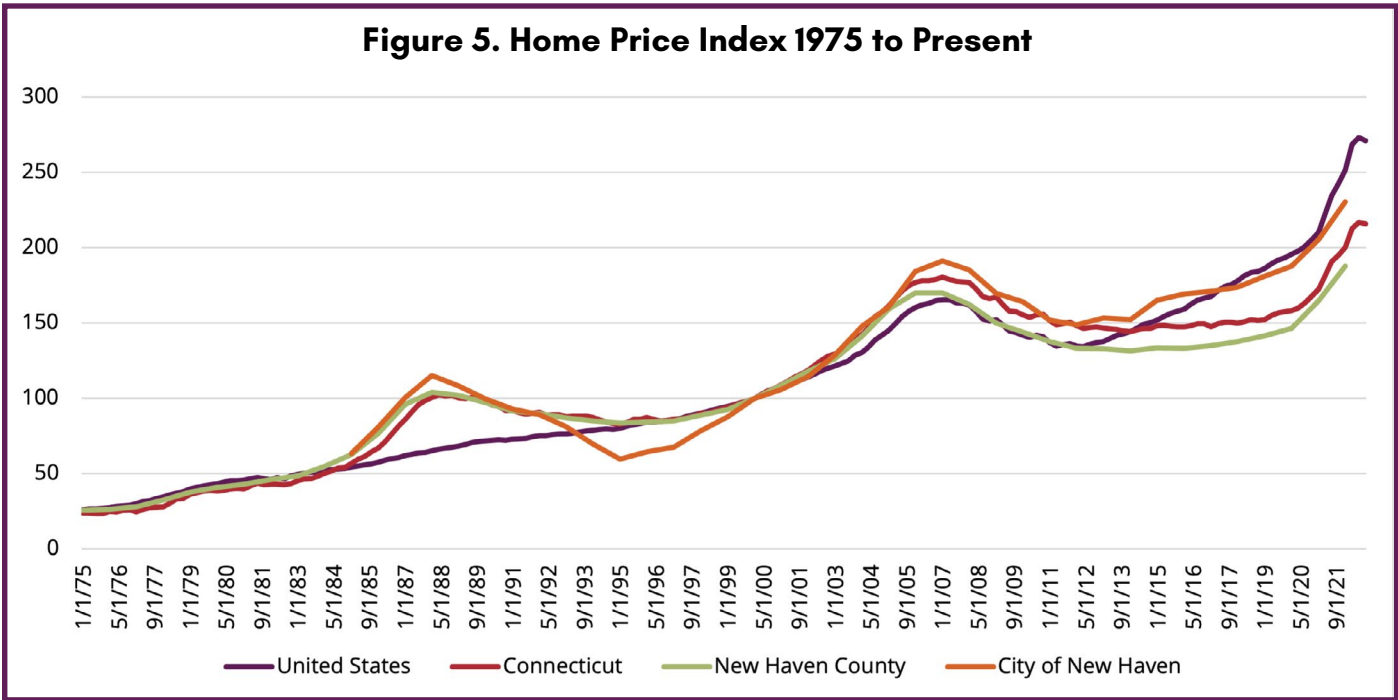
For the purposes of understanding the impact that housing costs have on people, it's important to assess not just changes in costs, but the burden that housing costs have on people. Cost-burdened households are those that pay more than 30% of their income towards their housing costs. Figure 6 shows the percentages of city and county residents who are cost-burdened over the last decade, including homeowners.[19] Figure 7 shows the same, but just among renters.[20] Notably, the trends look positive, with fewer residents experiencing housing cost-burden over the last decade. While the trend is not long enough to confirm, cost-burden also appears to stop decreasing around the start of the pandemic, instead flattening out.

Figure 6. Total Cost-Burden Rate

Figure 7. Renter Cost-Burden Rate
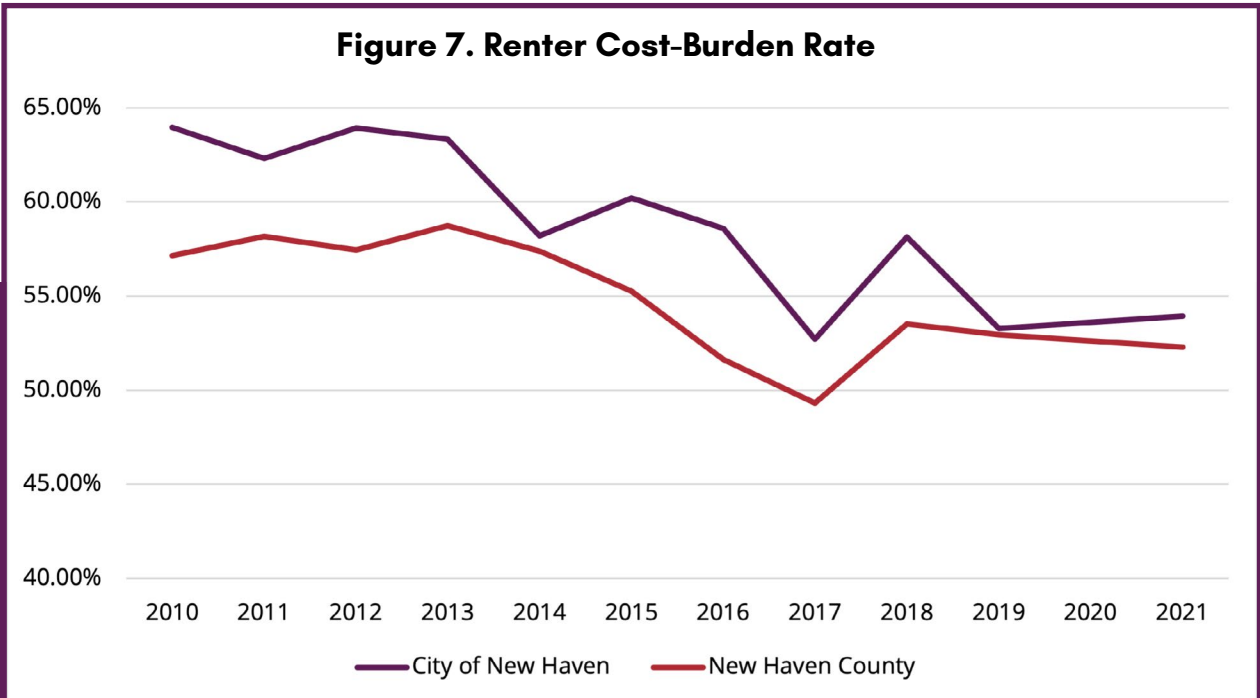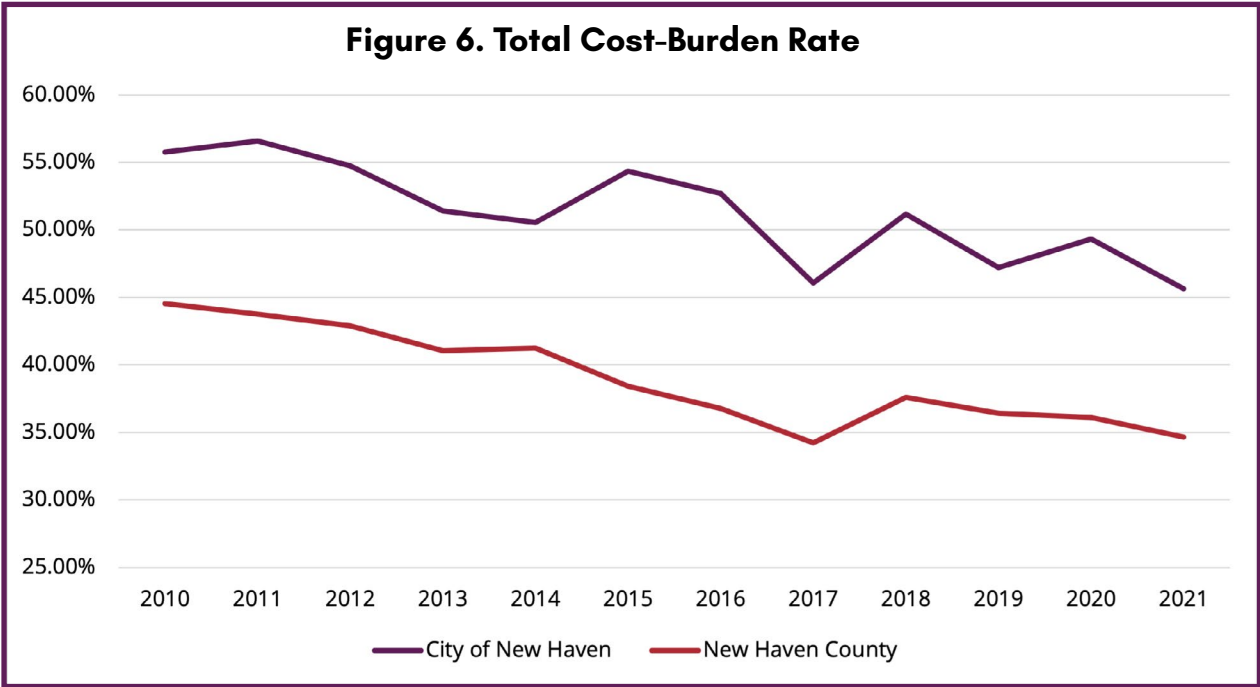
Why might cost-burden be decreasing over the last decade? Figure 8 shows changes in housing prices and incomes since 2000,[21] and begins to explain this pattern.[22] In the parts of the chart where the slope of the income curve increases more than the HPI curve, housing is getting more affordable, and vice-versa. For much of the decade, incomes were rising faster than housing costs across the county, making housing more affordable overall. This is even more clear in Figure 9, which shows the differences between the slope of the two curves. A positive number shows a year that became more affordable, and a negative shows a year that became less. For much of the last decade, housing was getting more affordable. But, much like the pattern visible in the cost-burden data, this changes in 2021.

Figure 8. Income and Housing Prices (New Haven County)

Figure 9. Income Growth minus Housing Price Growth (New Haven County)

The same pattern is evident again in the data on vacancy rates and year-over-year rent growth. For much of the decade, vacancy was steady in both the city and county, but it dropped precipitously in the last couple years. That drop in vacancy caused a significant rent spike. Figures 10 and 11 show the vacancy rate and year-over-year rent growth for the past 8 years in the city and county respectively.[23] The data tell a story consistent with the affordability data above, but add a layer of analysis: rents grow at a slow and steady pace–ideally below income–as long as there is a steady vacancy rate in the market. As soon as vacancy drops, the

Figure 10. Vacancy and Rent Growth (City)

Figure 11. Vacancy and Rent Growth (County)

competition for homes amid increasing incomes drives prices up significantly. This makes intuitive sense–landlords know when vacancies go down (they receive more interest in an apartment) and up (it's harder for them to find tenants), and they react rationally to that choice. If landlords can raise the rent and still find a tenant, they will, and if they can't find a tenant, they will lower the rent rather than lose potential income with a vacant apartment.

These data on housing prices, income growth, cost-burden rates, and vacancy tell a coherent story. For much of the 2010s, housing in New Haven was getting more affordable for many residents. Home prices were rising, but rising slower than incomes, and this reduced housing cost-burden rates for everyone and especially for renters–while still remaining over 50% citywide. However, around 2020 and 2021 home prices spiked faster than incomes as vacancies crashed, and housing cost-burden rates began to undo the decade's progress.
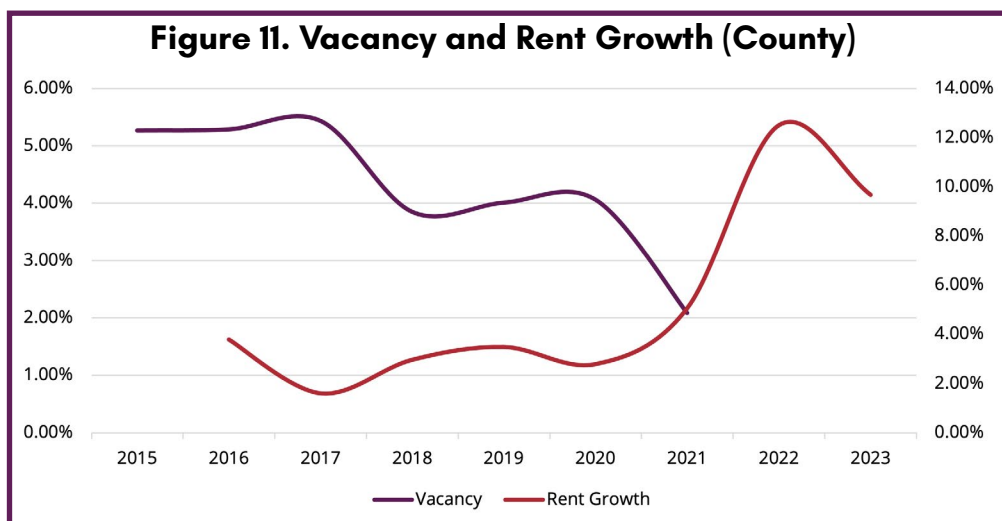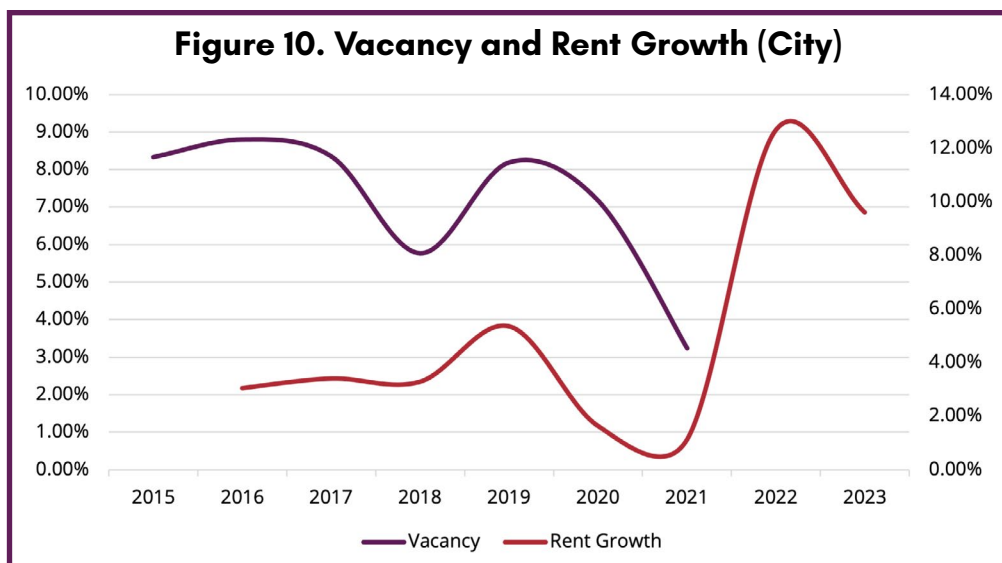
WHY IS THIS HAPPENING?

Vacancy rates go down when there are more people who want homes than there are homes for them to live in. These conditions create competition between renters or between potential homeowners and in these competitions, prices go up and the person with the most money will get the home. To answer why vacancy rates are going down and prices are going up, then, is to answer why there are more people who want to live in New Haven than homes for them to live in.

More people want to live in New Haven because its economy is growing. Figure 12 shows both the New Haven region's job growth and housing growth over the last ten years.[24] Jobs in the region have grown much faster than homes. From 2010 to 2020, New Haven's MSA added nearly 34,000 jobs but only added 11,000 homes. At the county and city level, the number of homes barely increased: just over 4,000 units added in the city, nearly 9,000 added in the county (compared to totals of 61,000 and 371,000 respectively).[25]

Figure 12. Employment and Home (New Haven MSA)
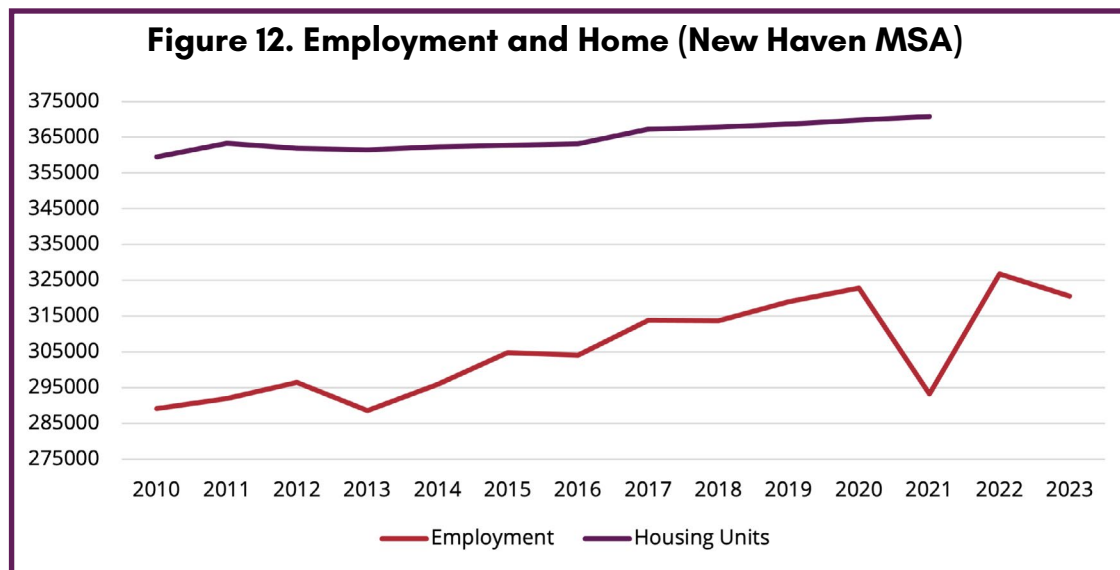
The above-articulated employment and housing contrasts explain the underlying environment for housing prices, but they do not explain the sudden crash in vacancy rates that happened in 2020 and 2021. The best explanation for the change in vacancy rates is a significant, nationwide increase in household formation.[26] In the pandemic and the immediate aftermath, the number of households in New Haven spiked[27]–and at the same time the average household became smaller.[28] As is visible in Figure 15, almost all of the change in the number of households is in 1- and 2-person households.[29] Households became smaller in the pandemic and its aftermath.
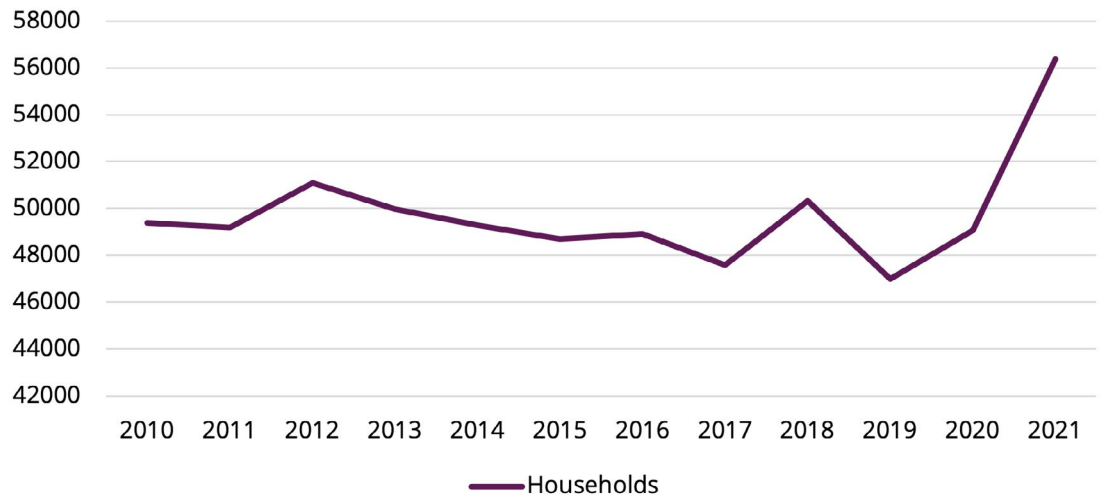
Figure 13. Households (City of New Haven)

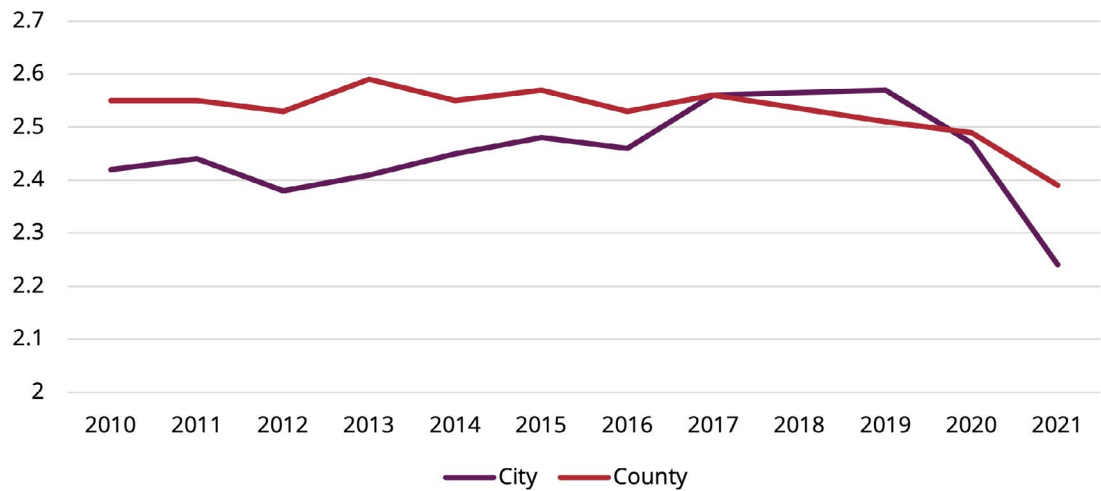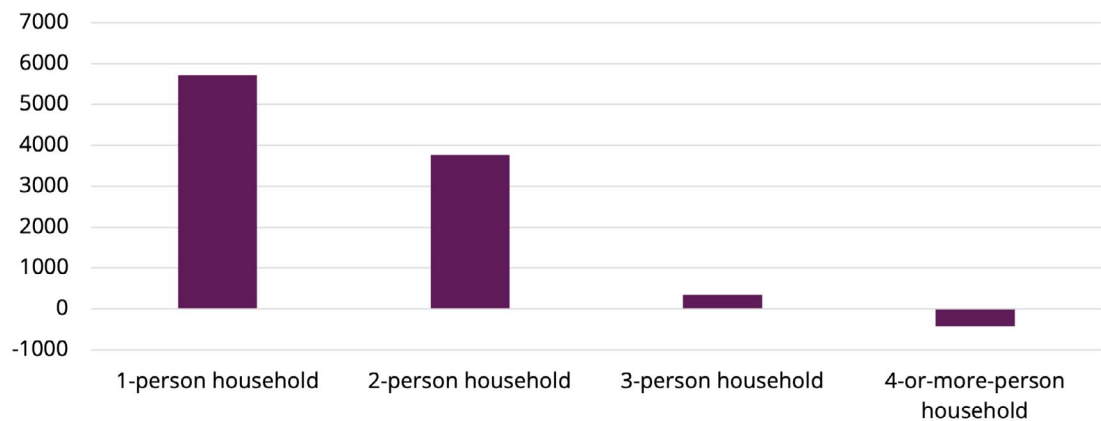**Figure 14. City and County Household Size**

Figure 15. Change in Household Count by Household Size, 2019–2021 (City of New Haven)

This change to smaller households almost entirely explains the increase in the number of households from 2019 to 2021–and therefore almost entirely explains the drop in vacancy rate over that time. 96% of the households added between 2019 and 2021 were 1- and 2-person households, and the added 1- and 2-person households account for 3.7 times the drop in vacant units over that time. Moreover, looking at the demographic changes in households over that time indicates that much of this change was from New Haven residents moving out of shared living situations into individual ones. Figure 16 shows the overall changes in household demographics from 2019-2021, and Figure 17 shows select populations. Evident in the charts is that the largest changes were among young people–in particular, the biggest increases were among people 18-34 living alone or with an unmarried partner. The biggest decrease was among people 18-34 living with their parents. This is aggregate data, and so it is not possible to tell how many people in the 18-34 Lives Alone category previously lived with roommates (18-34 Other Nonrelatives) vs. with their parents (18-34 Child of Householder), or how many in the 18-34 Living with Unmarried Partner category previously were with roommates or living alone. However, the scale of these relative changes–in which the reduction in 18-34 year olds living with their parents is almost equal to the increase in 18-34 year olds living alone–is consistent with a story in which much of the household change articulated above is simply the result of young people in New Haven moving out of their parents' house or other shared living situations and moving in with fewer roommates, with a partner, or on their own.

Figure 16. Change in Population by Demographics, 2019 - 2021 (City of New Haven)
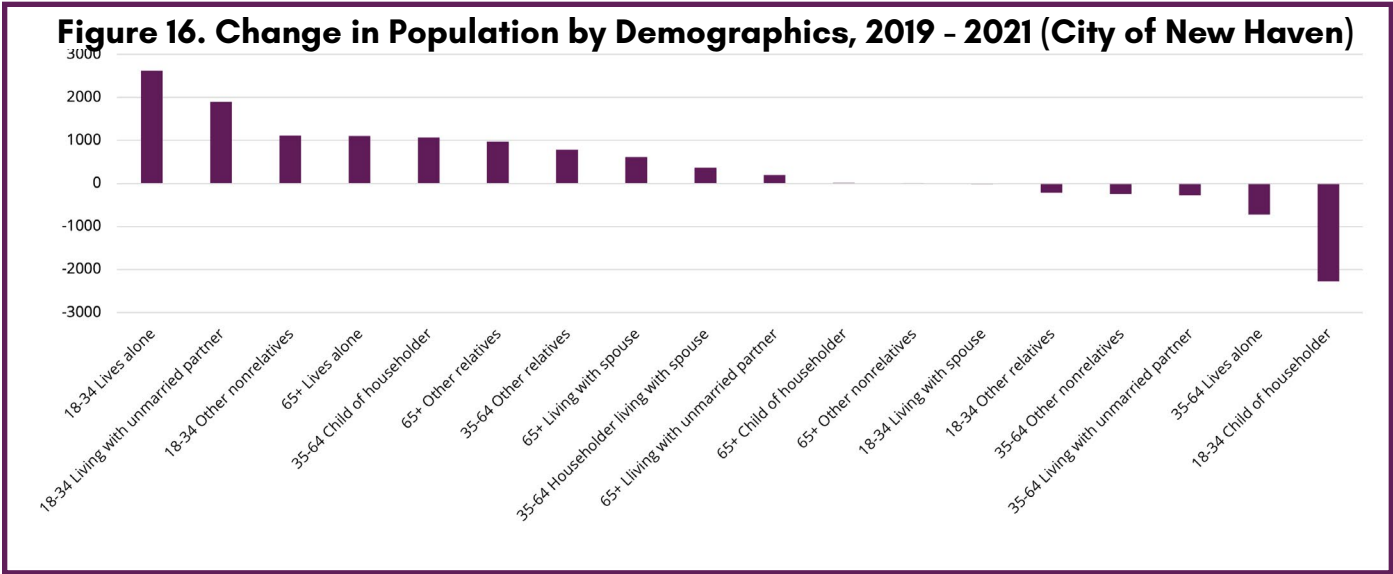
Figure 17. Change in Population by Select Demographics, 2019-2021 (City of New Haven)
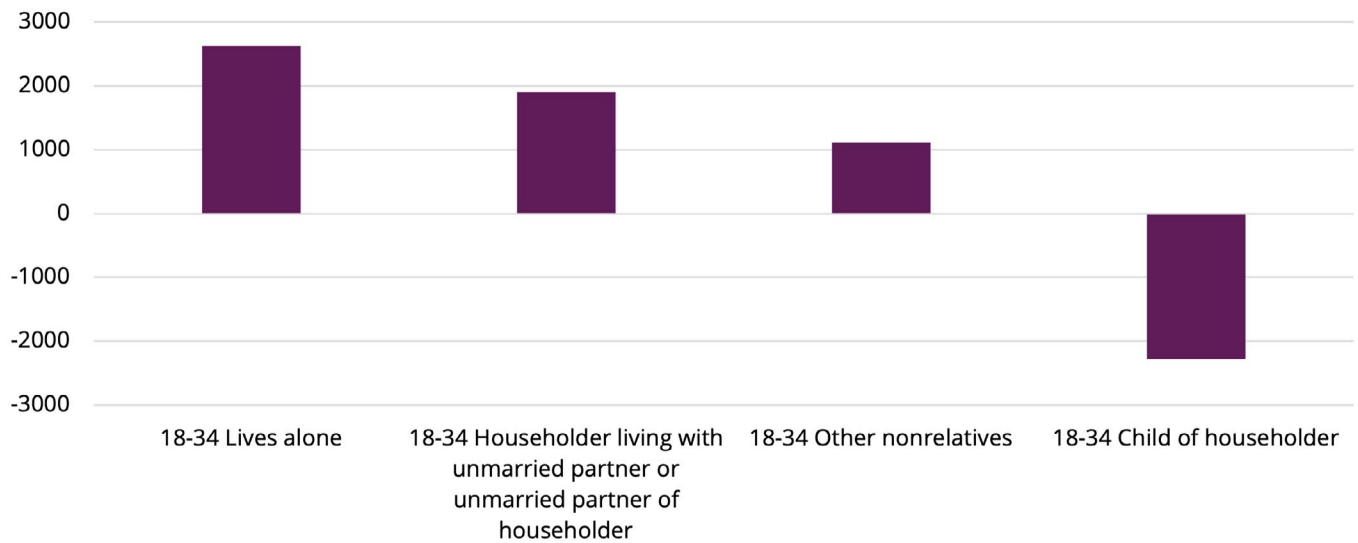
To further understand these housing patterns, it is useful to analyze data on mobility within the city. Figure 18 shows the New Haven residents in 2021 who moved within the previous year. According to the data available, nearly half moved from within New Haven County (the data does not distinguish between moves within the county and moves within the city) and more than 60% moved within Connecticut.[30] In totality, the cause of New Haven's drop in vacancy rates appears to be primarily young people from New Haven and surrounding towns moving into smaller households in the aftermath of the pandemic.

Figure 18. Origin of People Who Moved to City of New Haven, 2021
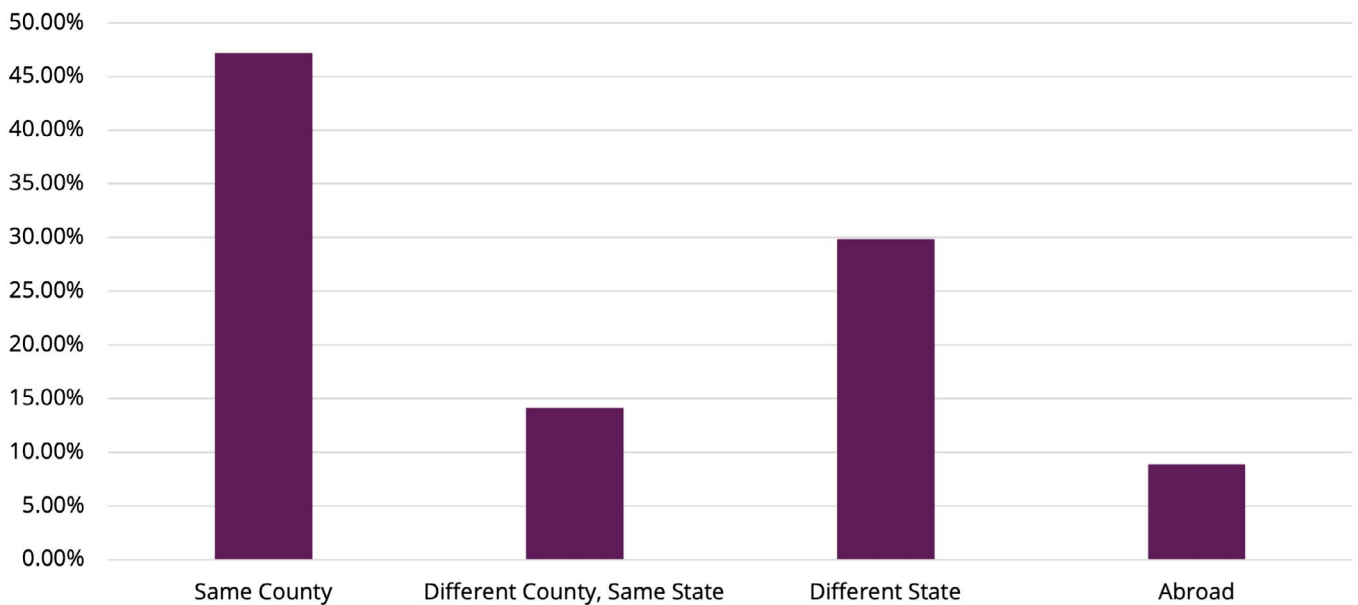
Given the pandemic's role in this change, it is worth asking whether or not this trend will continue. There are two pieces of evidence to indicate that it will, and that it is not just an artifact of the pandemic. The first is that vacancy rates have remained lower than pre-pandemic norms. Significant post-pandemic vacancy data is not available for the City of New Haven or New Haven County yet, but preliminary vacancy data for the New Haven MSA shows low rates.[31] People who moved into smaller households in the pandemic do not appear to be consolidating again. The second is evident in that same household demographic data outlined above. Given that much of the drop in vacancy rate was caused by young people moving away from their parents' house, they are unlikely to significantly revert without a major negative economic shock.

Figure 19. Vacancy Rate (New Haven MSA)
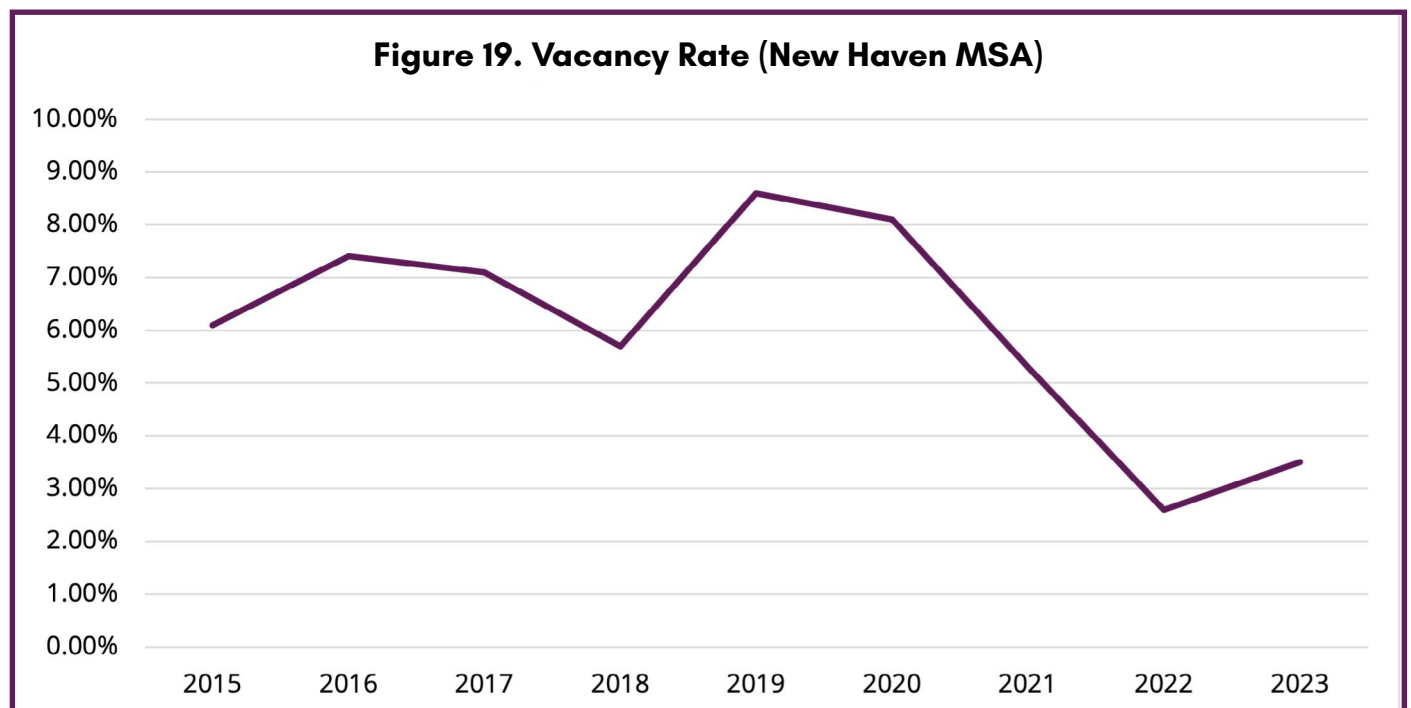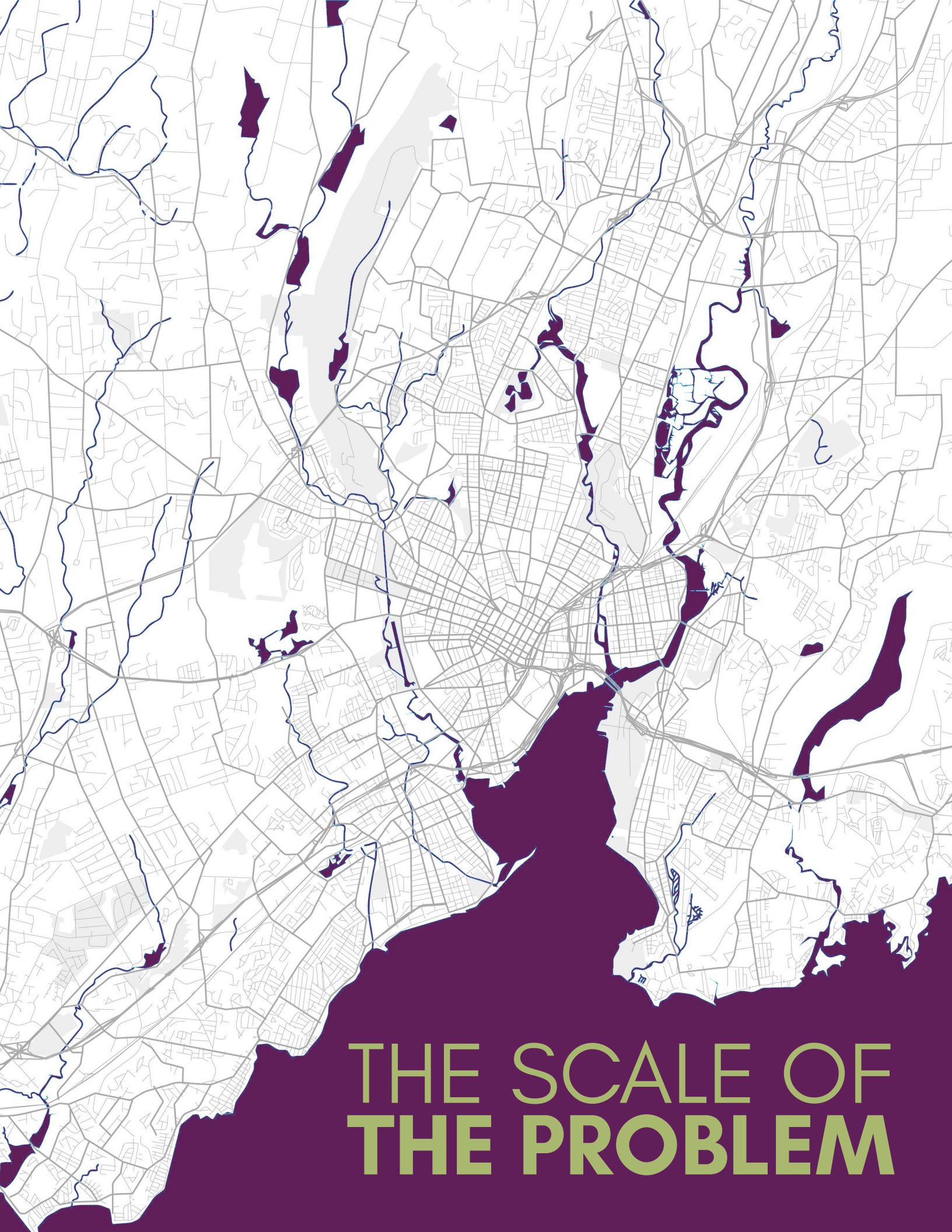
THE SCALE OF
THE PROBLEM

What do we do **now?**

Solutions to New Haven's housing problems need to be rooted in two primary facts: the scale of the city's housing problems and the severity of those problems' impacts on New Haven residents. The severity calls for urgency–people are suffering too much to tolerate years of process and fact-finding. The scale of the problem calls for systemic solutions–too many of the proposed policies at the city level simply do not scale to the need

Figure 20. The Scale of the Problem
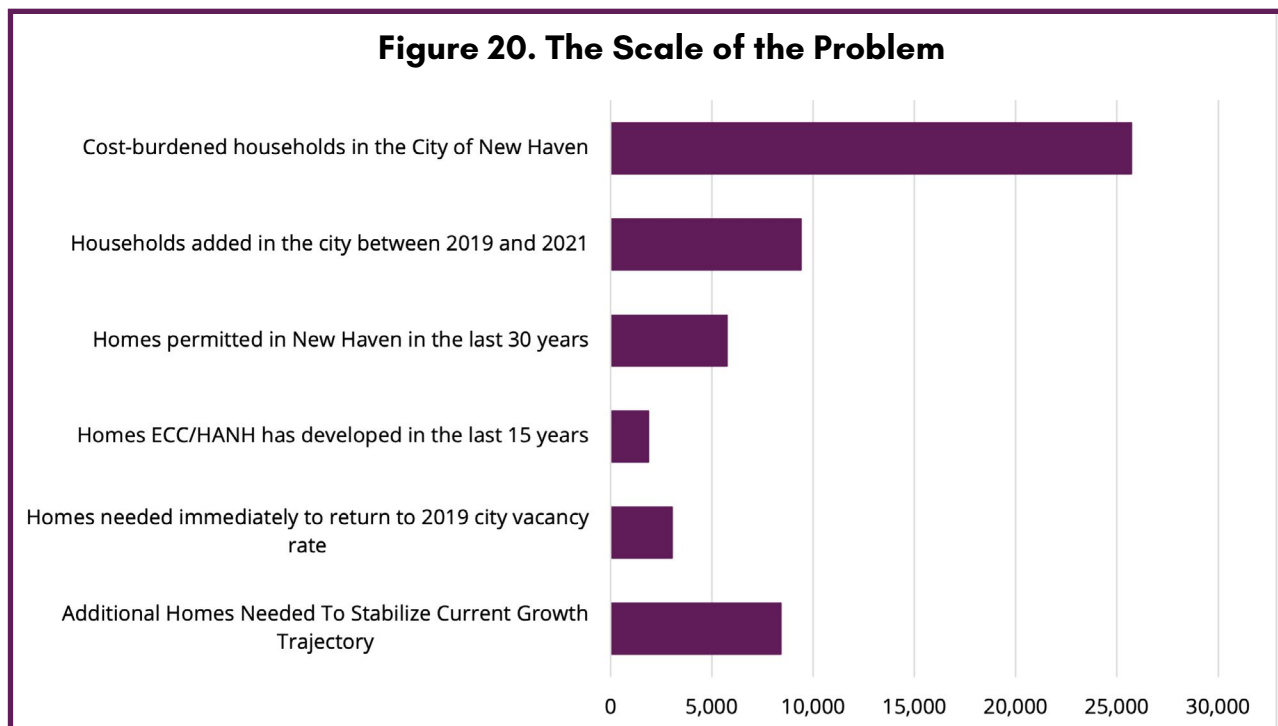
Figure 20 demonstrates the scale of the need in a few different ways and compares it to some of the actions taken by the city in recent years and decades.[32] Two crucial conclusions stick out:

> ■ Stabilizing New Haven's housing market is going to take an effort far beyond anything the city has done before. Simply returning to the 2019 vacancy rate will require adding more than half of the homes the city has permitted in the last thirty years.

> ■ Just stabilizing New Haven's housing market gets the city nowhere near the full scale of the cost-burdened households in the city, and does not make housing universally affordable.

These conclusions yet again emphasize the need for solutions that recognize both the severity and scale of New Haven's housing problems. Solving this problem requires action that is beyond anything the city has done in the last thirty years, and the city cannot wait to act if it wants to ever meaningfully improve housing conditions so current residents can benefit.

The scale and severity of the problem do not make solutions impossible, however. The city can and should learn from the last decade of housing in New Haven. For much of the 2010s, housing was getting more affordable across the city–5,350 fewer households were cost-burdened in 2019 than in 2010, nearly 70% of whom were renters.[33] That was 8% of the city overall, and more than 10% of renters. These shifts are significant progress, meaningfully improving the lives of thousands of New Haven residents. But that progress didn't happen through housing policy or development–the city added very few new units in the decade compared to the need, subsidized or otherwise. Rather, that progress happened because incomes increased faster than rents.

Figure 21. Employment (New Haven MSA)

Figure 22. Business Starts (City of New Haven)
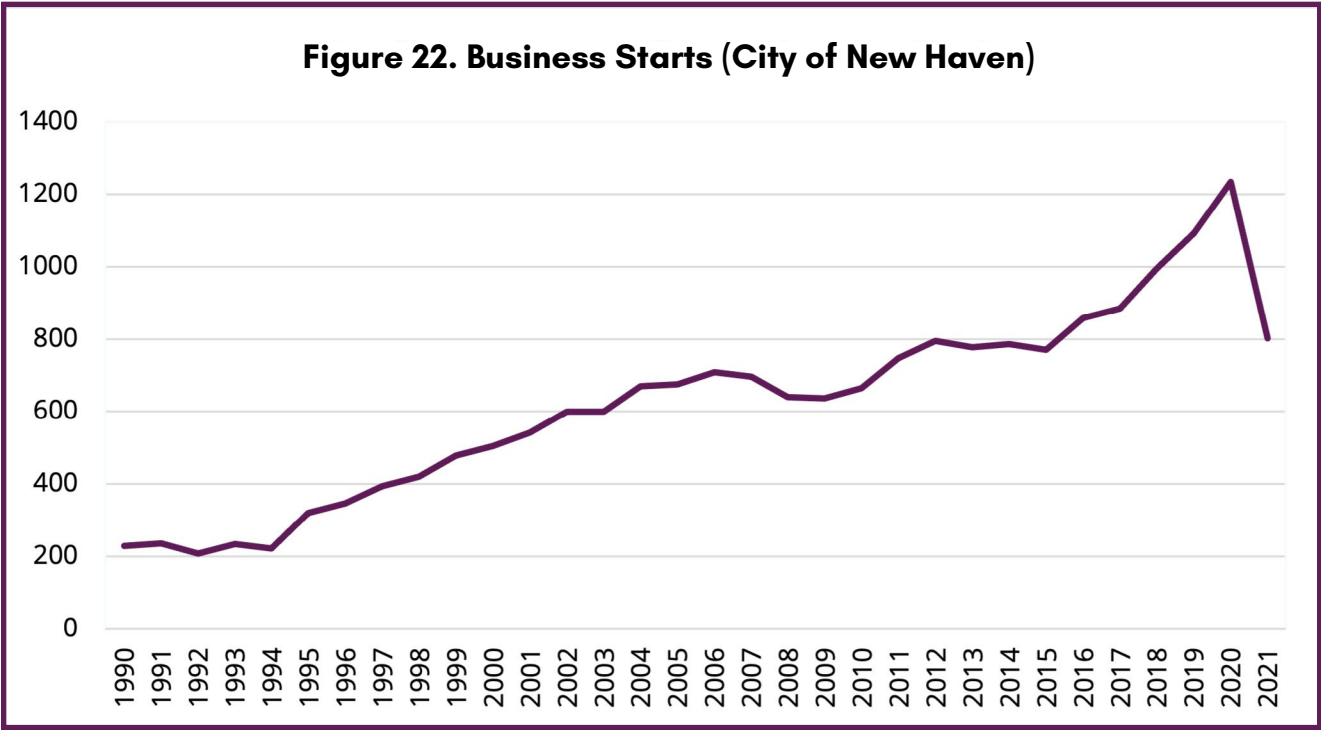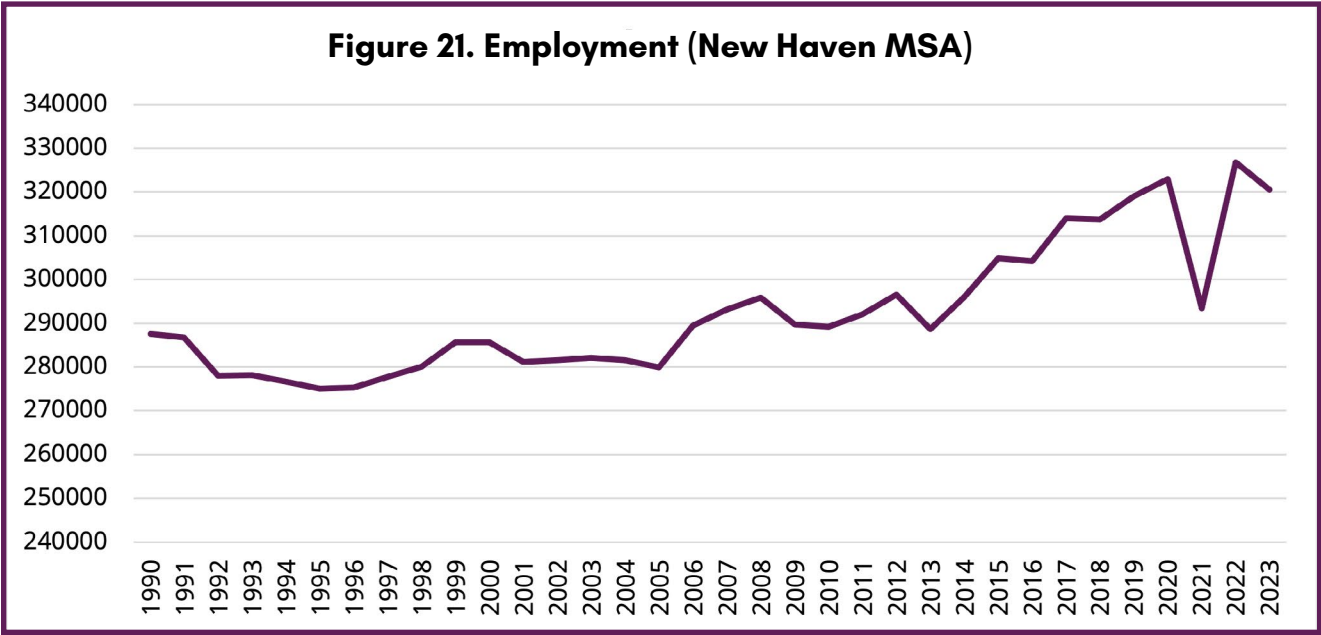
Why incomes are going up is relatively simple: New Haven's economy is growing. Above, this report compared job growth to housing growth in the last decade, but Figure 21 shows employment in the New Haven region since 1990.[34] Employment data for the region clearly shows a meaningful increase in employment this decade after years of a relatively flat– or declining–economy. While employment data is not available for just the city, the state collects business data at the municipal level, and annual business starts in New Haven have also steadily increased over the decade (and pretty consistently over the last thirty years, save a pandemic crash).[35] For a long time, New Haven was a prototypical post-industrial New England city, with little economic opportunity or new industry to drive the economy. That appears to have meaningfully changed.

The city already has a growing economy, so ensuring that incomes continue to rise should be relatively easy. To guarantee that those incomes are rising faster than rents are, the city needs to protect itself against the primary driver of year-over-year rent increases: low vacancy rates. It is therefore vital that the city maintain sufficient vacancy to slow rent growth–and in a growing city, maintaining vacancy requires new construction. The city needs to allow enough new homes to be built to keep up with the growth of the city.

WHY AREN'T HOMES BEING BUILT?

The reason that New Haven has not already built enough homes to keep up with demand is because of zoning restrictions, in both the county and the city. Municipal zoning codes restrict what types of buildings can be built in different neighborhoods, and how many homes can be included in a building and on a lot. Zoning is most restrictive in the suburbs of New Haven County–22 of the 26 towns in New Haven County restrict almost all land to only single-family homes, often with enormous minimum lot requirements.[36] These restrictions mean that people cannot build any new homes in many of these towns.

But zoning does not only restrict construction in New Haven's suburban neighbors–zoning is constricting the city's housing as well. 24% of land in the city of New Haven has the same restrictive zoning code of one home per lot.[37] Moreover, even denser parts of the city are up against their zoned capacity. Many of the current buildings in East Rock, the Hill, Newhallville, and other neighborhoods could not be built again if they were torn down, due to setback restrictions, parking requirements, and other arbitrary zoning limits. Additional housing construction is functionally banned in many of the highest-demand parts of the city. New Haven's zoning code imposes myriad restrictions and requirements on home construction and renovation that–in effect–freeze neighborhoods in amber and leave them unable to adjust to local, regional, and national changes.

New Haven's zoning code has 16 different zones that can possibly permit housing. For the purposes of this review, this report combines them into broader groups except when necessary.[38] Those groups are: Single-family zones (RS), Low-density zones (RM), high-density zones (RH), and business zones (BA, BD, and some variations). Each of these zones has different or varied restrictions on the kinds of buildings that can be built, but a few broad types of rules are the most important in how they shape potential home construction. They are:

- **Parking minimums:** most of New Haven's residential zones require at least one off-street parking space per unit in the building.

- **Minimum lot size:** most of New Haven's residential zones require a lot be at least 4,000 square feet in order to build anything at all.

- **Minimum lot area per dwelling unit:** many of New Haven's zones require a minimum lot size per unit built, which varies by zone.

- **Front, back, and side yards:** many of New Haven's residential zones require the building to be set back from the property line by 25 feet in the front and back of the building and 8 feet on the sides (with some exceptions).

- **Average lot width:** many of New Haven's zones require a given lot to be wider than 50 feet on average.

- **Total building coverage:** most of New Haven's residential zones include a maximum percentage of the lot that the building can cover.

- **Building height and Floor-Area Ratio limits**: Single-family and middle-density zones limit the maximum building height to 35 or 45 feet. High-density and business zones do not set maximum heights, but instead limit the ratio of the building's total floor space to the size of the lot. This ratio varies from 0.5 to 6.0.

While many of these restrictions are defensible or justifiable on their own merits, in aggregate they severely limit new development and redevelopment and restrict construction to a very small set of archetypes that rarely encourage adaptation, affordability, sustainability, or growth.

The city's zoning restrictions would prevent the construction of many of the buildings that thousands of New Haven residents already live in–and further constrain the adaptability of those buildings and neighborhoods. **Below are three examples that serve to illustrate the constraints of the zoning code.**

12 ANTHONY ST:[39]

This single-family home was built in 1938 in Westville. The lot size is smaller than the city's minimum lot size of 4,000 square feet, so it would be illegal to build this home (or any home) on this lot today. It is in a part of Westville that is zoned for middle density, but even though it is legal to have multi-family homes in that zone, the zoning code's 3,500 square feet lot-size-per-dwelling-unit restriction would prevent this home from adding any more units. This means that the homeowner can not divide it into two (or three, or four) homes even if no element of the home changed externally. The building also covers more of the lot than the 30% permissible within the zoning–the building would have to be smaller to be built again.

245 FERRY ST:[40]

This triplex was built in 1900 in Fair Haven. Like 12 Anthony St above, its lot size is below the city's minimum lot size of 4,000 square feet. This part of Fair Haven is zoned BA for business, which has much more permissible zoning than the middle density above. However, BA zoning still has a limit of 2,000 square feet of lot size per unit, which this building–with three units in it–violates far and away. BA zoning does not have lot coverage restrictions, but does still have parking minimums–to construct this building again, the builder would have to include 3 parking spaces, which cannot fit on this lot.

137 NICOLL ST:[41]

This building was built in 1900 in East Rock and includes 4 rental units, an unfinished basement, a back porch, and a backyard. At 6,534 square feet, it is above the city's minimum lot size. However, at 1,633.5 square feet per dwelling unit it is below the RM-2 zone's 2,000 square feet per dwelling unit minimum and would have to be reduced to 3 dwelling units to be built again. Similarly, it is closer to the sidewalk than the 17-foot front yard requirement and would have to be pushed back. Moreover, to build this building again, the developer would need to pave the backyard and replace it with 3 parking spaces. Beyond the environmental impact, these parking requirements would meaningfully reduce the residents' quality of life, as well as reduce the number of people who could live in the building. The primary author of this report rents an apartment in this building, and reducing the number of people who live in this building would raise his rent both in the building and in the aggregate market.

The above examples are not outliers–thousands of buildings like them violate the current zoning code because they were built prior to the code's creation. All three examples could not be built again on their lot. If the code as designed prevents the reconstruction of many of the buildings in New Haven already, the code is not serving the goals that it might purport to serve. Furthermore, if the code prevents the reconstruction of many of the buildings in New Haven, the code prevents the refurbishment of those same buildings. When maintenance of an existing building is legal but redevelopment is illegal–as is the case under the current code for much of the city–owners and landlords are encouraged to keep the same buildings in place rather than improve or change them. This stability is the direct cause of New Haven's housing quality problems–owners and landlords cannot replace a lead-poisoned building or an energy-inefficient home without losing units, adding parking, or making any of the myriad changes outlined above. The zoning code as designed is a primary driver of the city's housing quality and environmental justice problems.

Zoning and building codes do not only restrict new homes from being built and stop necessary repairs and rebuilds of old buildings, but they also stop developers from being able to build the kinds of homes that New Haven residents need. Specifically, New Haven's zoning and building codes stop developers from building smaller homes and stop them from building more affordable homes. New Haven has an enormous housing mismatch that is making homes more expensive and less accessible for many residents. The types of homes available in the city do not match the types of households looking for homes in the area. Figure 23 demonstrates this mismatch. Nearly 80% of households in New Haven are one- and two-person households, but the existing housing stock is significantly larger.[42] While there is nothing wrong with small households living in larger homes, there is a significant shortage of smaller homes available for small households who prefer a smaller, cheaper home compared to the total number of households that size. Furthermore, it is likely that small households are taking up larger homes, which are then harder to find for larger families who need more bedrooms.[43]

Figure 23. Housing Mismatches (City of New Haven)
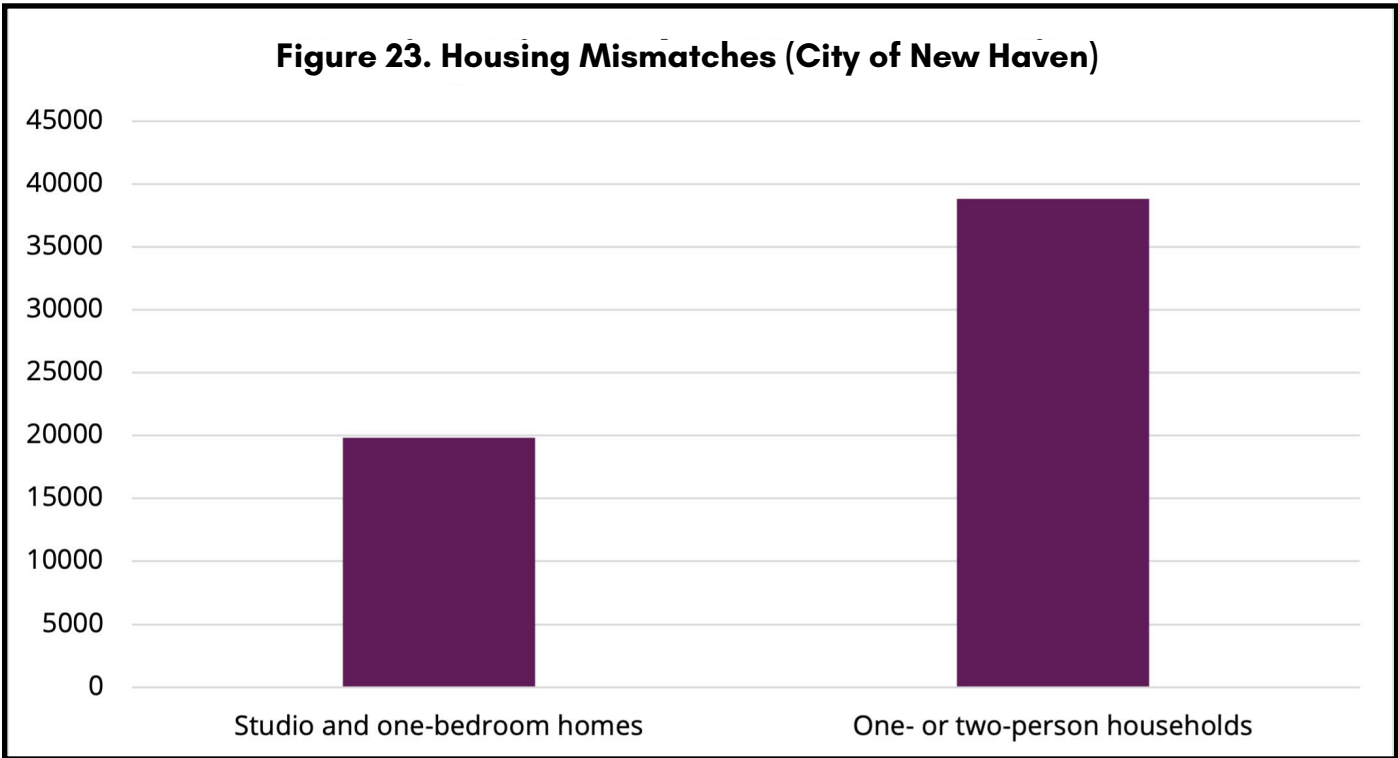
The zoning code is actively prohibiting the construction of much needed homes with arbitrary and ineffective rules. Given the city's need to not just reconstruct what is already here but to also significantly and quickly grow the housing stock in the city, it is both vital and urgent that the city reform these needless regulations. While the city may be inclined to wait for a comprehensive rezoning, the recommendations listed below do not preclude that process–rather, they simply reduce the worst offenses while the city goes through a more intensive process.

How do we **do it?**

The following are policies that the city should implement immediately. These policies work–they reduce home costs, encourage positive development for the city, and have been implemented successfully in other places. These policies do not need endless additional study or analysis and they will help the city reach the goals set out in the above report. No one policy will fix New Haven's problems instantaneously, but working together these changes can make the city more affordable for everyone.

Eliminate parking requirements: The city should immediately eliminate all parking requirements in the zoning code. Parking requirements increase the cost of housing significantly[44] and eliminate flexibility in updating older homes.[45] At the moment, the city's zoning code requires parking for all new development except those covered by the inclusionary zoning ordinance, including the neighborhoods that are most in need of new development and retrofitting and have suffered the most from car dependance. For this reason and others, the city's Affordable Housing Task Force recommended that the city eliminate parking requirements in 2019,[46] which Bridgeport and Hartford have both done in recent years. And not only do parking requirements make homes more expensive, but because parking requirements apply to new businesses as well, they suppress new businesses in walkable neighborhoods like those seen across the city.[47]

Shrink Minimum Lot Sizes: The city should immediately shrink its minimum lot size requirements to 1,400 square feet citywide. While the city mandates minimum lot sizes for any new or modified construction, more than 4,500 residential lots are already below the city's minimum requirements (a rough map of those properties is available here).[48] These homes are not unusable–in fact, they're disproportionately located on some of the city's most welcoming and pleasant streets. The purpose of the minimum lot size restrictions is unclear and the restrictions themselves are unnecessary. The recommendation of 1,400 square feet comes from Houston, TX's lot size reforms that played a major role in the city's relative affordability today.[49] These reforms have been well-studied, and while further zoning reforms in concert with the city's comprehensive plan process may land on even smaller lots in some neighborhoods, 1,400 square feet is a good start that will move the city in the right direction while not engendering adverse effects. Future reforms could bring the city's minimum lot size even smaller–more than 400 lots across the city are already smaller than the 1,400 square feet proposed here.

Eliminate Unit Density Restrictions: The city's zoning code includes a complicated set of regulations restricting the number of units that can be built on any given land area. These restrictions are not tied to a certain building type or height, but rather set a minimum lot area per unit in the building. These regulations limit density of units. They prevent a 5,000 square foot duplex in an RM-2 zone from adding a unit and being converted to a triplex, despite the fact that triplexes are legal in that zone and that there is no health and safety reason for this restriction. The building code already includes legal requirements for unit size. Allowing for more density in a building does not override the zoning restrictions on setbacks, building heights, or any of the outward-facing components of the code. In practice,

the city still limits density through restrictions on the height and size of buildings allowed in a given zone, through lot size restrictions (even after the alteration outlined above), through building coverage restrictions, through FAR requirements, and more. While the city should reevaluate all of those zoning restrictions at the time of its comprehensive plan rezoning, in the meantime it should strike this density restriction from the code. Lot area per dwelling unit restrictions do not encourage a specific kind of development or offer any affirmative case. Rather, they simply constrict density for the sake of constricting density, rooted in an era of zoning when density was bad and suburbanization was the ideal.

Legalize Single-Room Occupancy Units: Single-Room Occupancy (SRO) units have been a source of affordable housing for much of human history, and many cities in the early Twentieth Century had tens of thousands of SROs for low-income renters or other residents in transitional housing.[50] It is likely that rooming houses are operating illegally in the city still, but at the moment the zoning code prevents them in most areas. Single-room occupancy units are legal in parts of the city zoned RH-2, BA, and BC. Given the shortage of units available particularly for single people and young people citywide, the ban on SROs is counterproductive, preventing the development of new affordable units that meet demand.

End Owner-Occupancy Requirements for ADUs: Accessory Dwelling Units–or ADUs–have been an important solution to housing shortages historically and a key strategy for California recently.[51] ADUs are small dwelling units, either attached or detached, added to an existing home or apartment building. In 2021, Connecticut passed a bill statewide to legalize ADUs in some places, and New Haven passed its own ADU ordinance to encourage new apartment development. However, no ADUs have been built under the city's ordinance. This past spring, local experts attributed the lack of ADU development to the city's requirement that only owner-occupants can build ADUs as-of-right.[52] Changing this requirement could encourage significant new development of small, affordable homes.

Upzone Exclusionary Neighborhoods: The racist history of single-family zoning–invented in response to the US Supreme Court's banning of racial zoning, and perpetuated to intentionally segregate–has been well-established.[53] In recent years, an upswell of activism and advocacy has raised the prominence of single-family zoning's exclusionary power and challenged the legality and morality of maintaining it across the state and county. New Haven has led on challenges to the exclusionary zoning of our neighboring suburbs–but at the same time, New Haven maintains 24% of its land zoned single-family.[54] Changing RS-zoned areas to RM zoning would create the potential for a significant increase in the number of homes without an instantaneous transformation in the city–and without experimenting with zoning rules that are not well-established in the city. While the city should still pursue more comprehensive rezonings, this change can ensure flexibility and potential for growth in the meantime.

Begin Pre-Approved Plan Development: In a 2022 study, The National Association of Homebuilders analyzed the cost of regulation and delay on new construction. Among the many costs that cities add to new construction, they find that 3-4% is added to the cost by zoning applications and delays and another 5.6% is added due to delays from neighborhood

opposition.[55] To encourage the building of cheaper housing, the city should help reduce construction costs so that builders can reduce the prices they need to charge to maintain profitability. South Bend, IN, has published a series of designs that are pre-approved to help to drive these costs down and lower risks–and thus profit margins–for small developers.[56] New Haven should pursue the same approach, in order to encourage smaller and more local developers to pursue the kinds of projects needed in the city.

Switch to a Land Value Tax: Property taxes play a significant role in determining what types of buildings get built and where they get built.[57] The property tax system has significant biases, undervaluing the most valuable property and overvaluing the least.[58] Less discussed are the disincentive powers of property taxes that actively discourage investment and maintenance of properties and encourage less efficient use of land. A landowner who owns a valuable piece of land may not want to build a new building on it, or invest in adding units, because it will add to their property taxes. This hurts city residents overall because–in aggregate–it reduces the number of homes in the city and encourages speculators to profit off collective housing shortages rather than investing in their own property. Instead of taxing property, the city should tax land values, which are dependent not on the property owner's investments but instead on the use potential of the land.[59] Several post-industrial towns in Pennsylvania have incorporated a Land Value Tax to encourage downtown investment to great success,[60] and a Professor at the University of Connecticut studied the potential impact on New Haven in 2017.[61] The city should begin the process of incorporating a Land Value Tax immediately to build a more sustainable urban housing ecosystem.

None of the policy recommendations articulated here will single-handedly solve New Haven's housing shortage, and none will transform the city. In fact, crucial elements of the housing system–eviction protections, rent regulations, and other potential policy areas–are out of the city's power entirely (some additional policy resources for these and other areas are included at the end of this report as additional recommendations).

However, the policies outlined above are all simple, commonsense reforms to existing obstacles to housing development that are necessary to stabilize the city's vacancy rate. Importantly, they are also all changes that the city can make immediately and without much additional study because they are policies that all work elsewhere. The city may be pursuing a more comprehensive rezoning, but it is crucial that the city act urgently to begin to address the scale of the housing shortage.

WHERE THIS WORKS

Other towns and cities have begun to use these tools to great effect. A recent Pew report highlighted four cities of varying geographic locations and sizes–Minneapolis, MN, New Rochelle, NY, Portland, OR, and Tysons, VA–that have put intention and effort into increasing the number of homes in the city. Each has seen significant increases in the number of homes built, and each has seen rent grow much more slowly locally than it has nationally. The results of Pew's analysis are visible in Figure 24.[62, 63]

Figure 24. Increase in Homes and Rent Growth
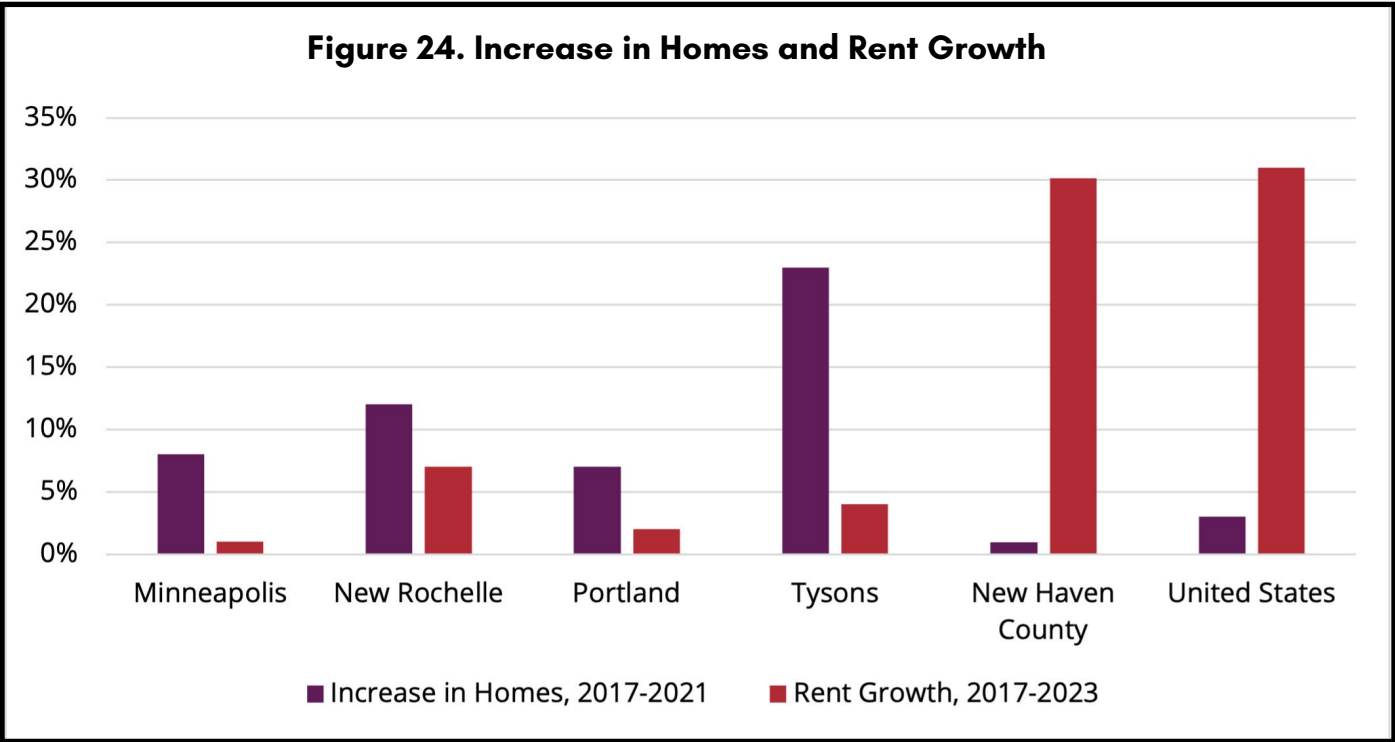
While these cities have all allowed many more homes to be built than most–and certainly more than New Haven–the new construction has not been sufficient to always keep vacancy rates consistent. Figures 25,[64] 26,[65] and 27[66] show the vacancy and rent growth chart for Minneapols, New Rochelle, and Portland respectively (Tysons is too small for accurate vacancy data through the American Community Survey). While there is some year-to-year variation in the context of the housing market, these communities all tell the same story that New Haven's data does: low vacancy rates drive year-to-year rent growth. Importantly, though, these data tell an additional story: allowing new housing to be built stabilized local rents in a moment of nationwide rent growth.

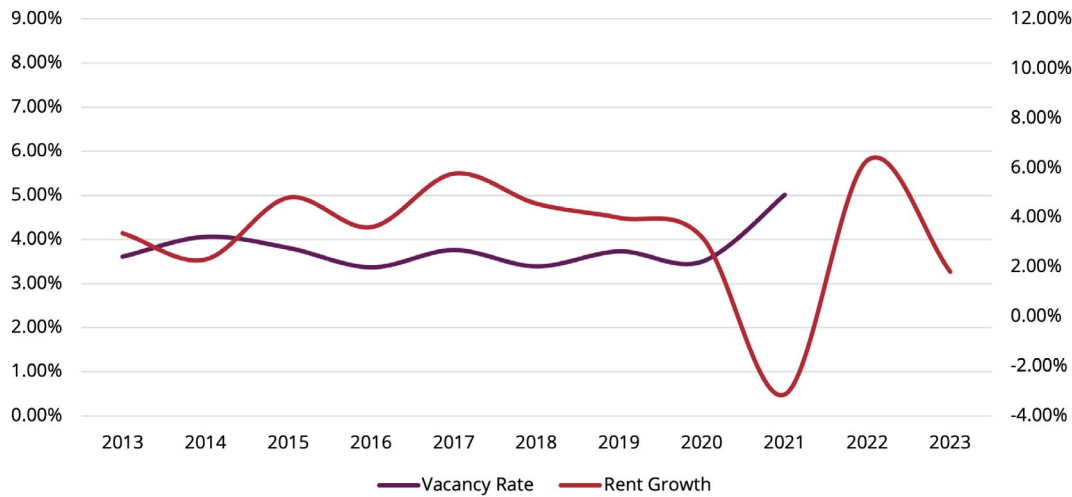**Figure 25. Vacancy Rate and Rent Growth, Minneapolis**

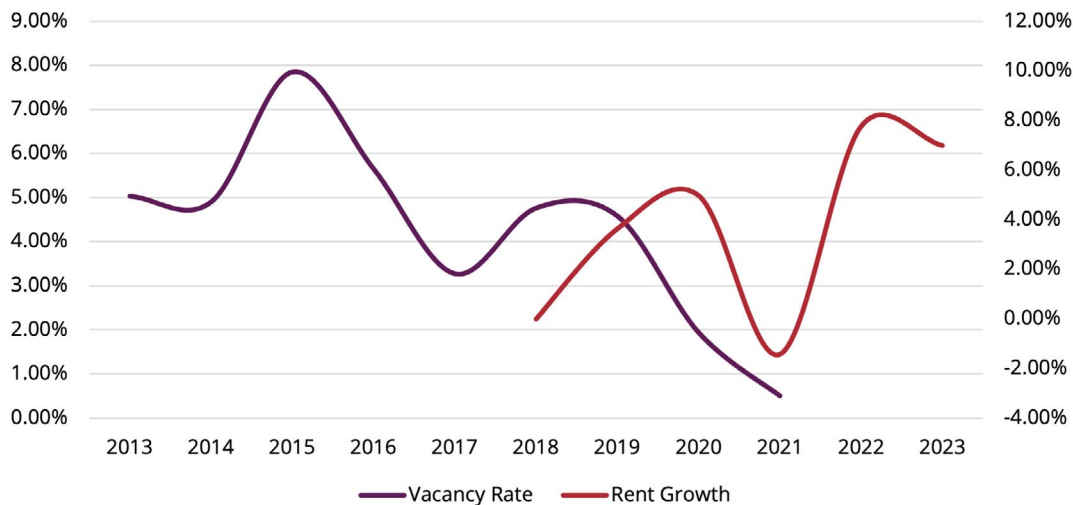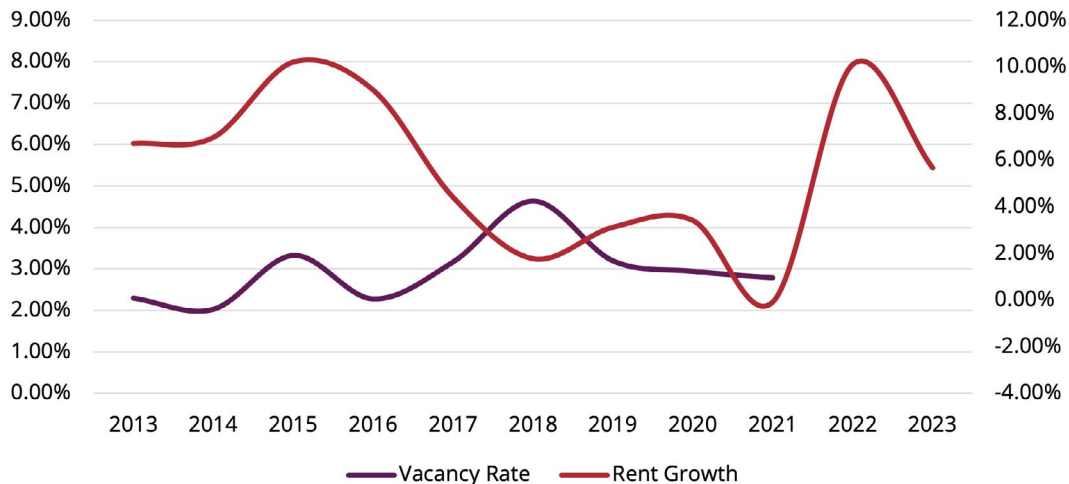**Figure 26. Vacancy Rate and Rent Growth, New Rochelle**

Figure 27. Vacancy Rate and Rent Growth, Portland

These four cities' experience is visible on a smaller scale whenever a new development is opened. While it is reasonable for residents to see a new market-rate development and assume that their neighborhood is about to get more expensive, in depth research has found that new developments lower rents nearby, relative to if that development had not been built. [See Table 1 at the end of this report for a summary of this research]. When residents see new construction nearby and receive a rent increase, the rent is not increasing because of the new construction but actually the other way around: rents are going up in the neighborhood, which makes the neighborhood appealing for new construction. In these cases, the new construction is still making the nearby rents cheaper, but rents are going up so fast due to people wanting to live in the area that residents do not see any meaningful change from the new apartments. Rents will only remain stable if enough new homes are built to match the total number of people who want to live in a place–and in growing cities like New Haven during the pandemic, the number of new homes required overwhelms the number of new homes that are actually built.

Many cities across the country have begun changing their zoning and building codes to make homes more affordable and easier to build. These fixes are often detailed and technical, as articulated above. But it is absolutely vital that, even once in the specifics of the code, the city does not lose the severity and scale emphasized in this report. New Haven residents cannot tolerate years of waiting while homes grow more expensive, and small tweaks will not reach the scale necessary to stabilize rents in the city. New Haven needs more than 3,000 homes immediately just to return to 2019 vacancy rates, and needs nearly 8,500 by 2030 to stabilize rents at its current growth trajectory.[67]

Reaching Universal **Affordability**

As established above, stabilizing rents alone will not generate universal affordability–and while that is partially due to the history of the problem, it is also partially due to something much more simple: many residents have less income than is necessary to just maintain a home over time. Maintaining a home has costs that are borne by either the tenant through rent or the owner through direct maintenance. Maintaining a home in a multifamily building in New Haven costs between $8,000 and $10,000 per year, or between $650 and $850 per month.[68] A significant number of New Haven residents cannot afford even the cost of maintenance. For these residents, housing affordability requires subsidy.

The effectiveness of additional subsidy–and its feasibility–is contingent on whether or not the city and region make some of the other changes articulated above, as well as how the subsidy is structured. A significant increase in demand-side subsidy–like Housing Choice Vouchers–will lead to increased demand: more people will have the money to afford a home. Without a commensurate increase in the supply of homes, rents and subsidies will spike and landlords will get massive profits. A significant increase in supply-side subsidy–like more publicly-supported home construction–would help with affordability and supply shortages, but would be impossible to do without the same construction and zoning reforms articulated above (regulatory constraints on private development limit public development and subsidized development in the same way). The average subsidy for a family with a housing choice voucher in New Haven is more than $1,000 per month.[69] Fully subsidizing every family that is currently housing cost-burdened in the city would cost more than $314,000,000, nearly half of the City's current annual budget (and that does not include the inevitable rise in rent that would come from less downward pressure on the market).[70] However, if enough homes are built in the city to drive some rents down to the above-mentioned maintenance cost of $650-850 a month, the math gets easier. While 15,279 households in the city have an income that makes $650 a month unaffordable,[71] subsidizing their incomes to make $650 a month affordable would only cost $6,000,000 annually.[72]

Driving down the cost of subsidy to this manageable level is only possible with significant scale, and with a policy emphasis not on "Affordable Housing" but on housing affordability. Affordability is not built into the drywall of a home and "Affordable" is not a housing typology–affordability is the consequence of market forces and government regulations. If incomes grow faster than rents, homes get more affordable even as rents rise. Rents can go down, but if incomes decrease faster–or jobs leave the city–homes do not get more affordable. As is evident in Figure 28, rents and home values move in parallel.[73] For rents to decrease, home values have to decrease. As long as housing is used as a means of wealth accumulation it will be scarce, and thus unaffordable.[74] To make housing affordable, it must be abundant–and will thus appreciate below incomes. If rules and regulations that encourage affordability in new construction constrict new construction from happening, the city can never reach the kind of abundance necessary to get rents down to maintenance levels and sufficiently subsidize the more than 15,000 households who cannot afford to maintain a home.

Figure 28. Zillow Home Value and Zillow Observed Rent Indices (City of New Haven)
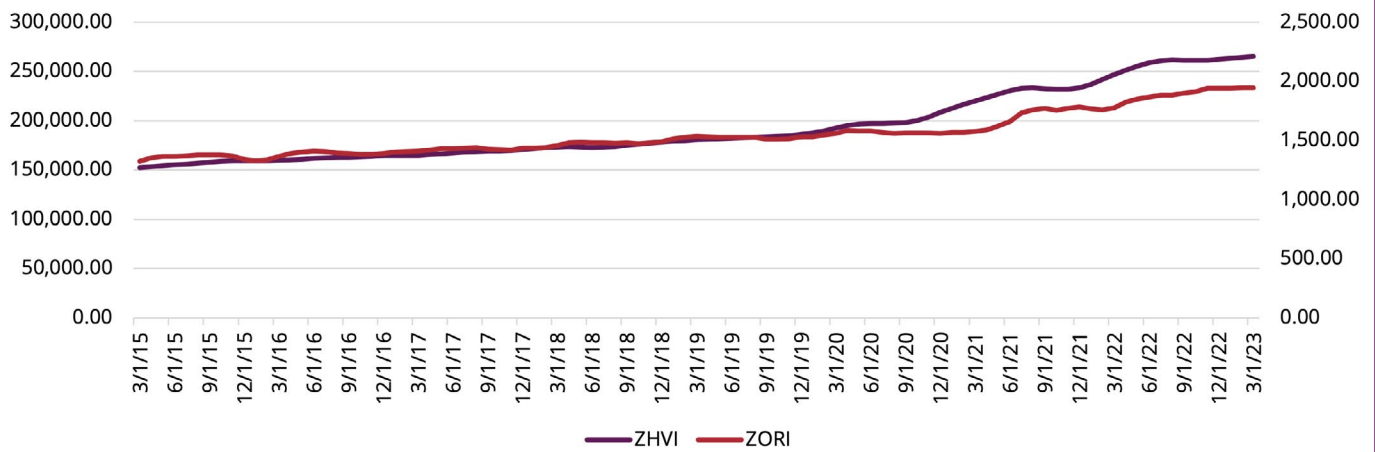
Importantly, new homes in the city can be more expensive than the average home and still help to drive prices down, because home prices spread over the full market. Figure 29 shows the distribution of homes at various price points and the distribution of households that can afford that price point.[75] Visible in the chart is a shortage of homes at the very bottom of the market, as well as few homes at the top of the market that are worth the prices that higher-income residents would be able to pay. With a shortage at the top of the market as well as the bottom, higher-income residents bid-up middle cost housing, making it less affordable for middle-income residents, who then bid up the cheapest housing and make it unaffordable for low-income residents. Allowing new homes at scale will resolve this mismatch by reducing the price pressure on cheaper homes.

Figure 29. Mismatch Between Housing Costs and Incomes
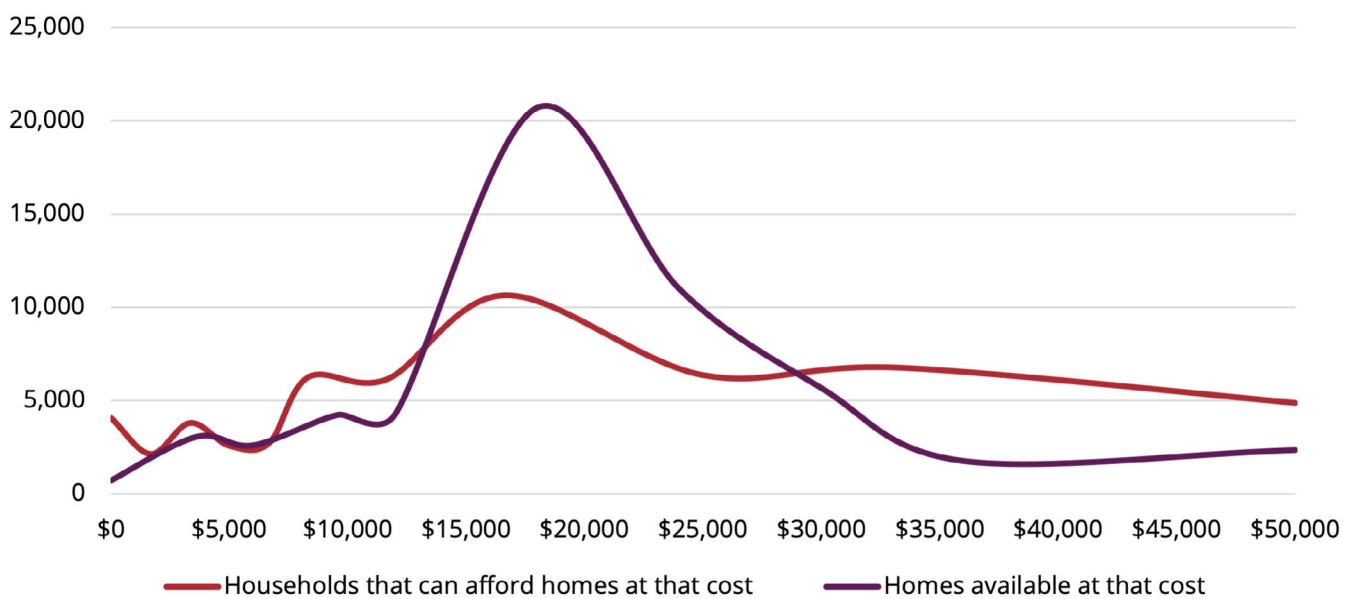
Conclusion

Solving New Haven's housing crisis at scale will take time. Many of our housing problems must be fixed by the state, and building new homes takes time and effort. But just because universal affordability will take time–and that the city does not have jurisdiction over all the levers of power necessary to fix the housing system–does not mean that the City of New Haven should not act now.

The city needs to act with the urgency that current residents struggling with housing costs deserve. They deserve better than to be told that the state needs to act, or that the city cannot make progress on housing affordability without our suburban neighbors doing the same. There are real, meaningful steps that the city can take, and there are real, concrete goals that the city can target in order to help New Haven residents. Likewise, the city needs to act at the scale that is necessary to make real progress on this issue. Rents in New Haven will not stabilize with the addition of one- or two-hundred new apartments at 50% AMI. The city needs to add thousands of new homes, and so the policy solutions that the city implements need to realistically allow thousands of new homes. Any set of policies that will not allow thousands of new homes will condemn city residents to more years of spiking rents and financial hardship.

Importantly, allowing more homes is not a punishment for the city and its residents. New homes allow for new jobs, more affordability, and a broader world of opportunities for longtime and new residents alike. More homes and more residents help to stabilize rents, increase consumer activity, support local businesses, and increase the city's tax revenue–to then improve city services. This is a virtuous cycle, one that returns the city to its heyday, when it had 25,000 more residents than it does now and when it was a thriving center of industry, employment, and immigrant opportunity.

New Haven needs to make a choice between growth, exclusion, or stagnation. Elm City Communities/ Housing Authority of New Haven believes that growth is the one true option, the only path that honors New Haven's past, serves New Haven's present, and protects New Haven's future. New Haven can once again be a thriving city, with opportunity for all, strong public services, and housing that is affordable and available to long-time residents and newcomers alike. But returning to New Haven's true roots will require action that recognizes the scale and severity of our crisis. A better New Haven is possible, if we're willing to try.

ADDITIONAL READING AND POLICY RECOMMENDATIONS:

Read New Haven's zoning code here (Note: the city reformed some regulations in 2021 that have not been included formally in the code. The analysis above accounts for those changes, but they are not visible in the code linked above).

See New Haven's zoning map here.

Learn some introductory zoning terms and concepts from DesegregateCT here and from Open Communities Alliance here.

See a report from Yale Law School's Jerome N. Frank Legal Services Organization on policy approaches to prevent displacement here.

See the city's Affordable Task Force Report here.

ENDNOTES

1   U.S. Census Bureau. (2021). *Financial Characteristics, 2021 American Community Survey 1-Year Estimate.* Retrieved from https://data.census.gov/table?t=Financial+Characteristics&g=160XX00US0952000&tid=ACSST1Y2021.S2503.

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7   NLCHP (2017). Don't Count on It: How the HUD Point-in-Time Count Underestimates the Homelessness Crisis in *America. National Law Center on Homelessness and Policy.* https://homelesslaw.org/wp-content/uploads/2018/10/HUD-PIT-report2017.pdf

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13   Ortiz, D. (2020). Childhood Lead Poisoning Surveillance. *Connecticut Department of Public Health.* https://portal.ct.gov/-/media/DPH/EHDW/Executive-Summary-of-CT--2020-Childhood-Lead-Poisoning-Surveillance-Report-and-prev-data-tables.pdf

14   City of New Haven (2018). Climate & Sustainability Framework. *City of New Haven.* https://www.newhavenct.gov/home/showpublisheddocument/696/637739772480600000

15   Internal ECC/HANH data.

16   FHFA (2023). House Price Index. Federal Housing Finance Agency. https://www.fhfa.gov/DataTools/Downloads/Pages/

House-Price-Index.aspx

17	The Housing Price Index is a measure of pure home price data, calculated by normalizing home prices to the homes that are specifically sold.

18	FHFA (2023).

19	ECC/HANH analysis of U.S. Census Bureau data. American Community Survey 1-Year Estimates for each year, 2010-2021. Retrieved from https://data.census.gov/table?t=Financial+Characteristics&g=160XX00US0952000&tid=ACSST1Y2021.S2503.

20	ECC/HANH analysis of U.S. Census Bureau data. Gross Rent As A Percentage Of Household Income In The Past 12 Months, American Community Survey 1-Year Estimates for each year, 2010-2021. Retrieved from https://data.census.gov/table?t=Renter+Costs&g=160XX00US0952000&tid=ACSDT1Y2021.B25070

21	ECC/HANH analysis of FHFA HPI data and U.S. Census Bureau data. HPI data and Census Buruea for each year, 2000-2021. Retrieved from https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index.aspx and FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/MHICT09009A052NCEN

22	Year-over-year income data at the municipal level is notoriously noisy and only available from 2010-2021, but given the regional nature of the housing and job markets, we feel confident that the patterns visible in the county exist in the city. We've included the municipal graphs below, but kept them out of the main essay to avoid reader confusion. *(This endnote refers to the charts on page 41).*

23	ECC/HANH Analysis of U.S. Census Bureau and Zillow data. Vacancy data from the U.S. Census Bureau (2021). *Occupancy Status, American Community Survey 1-Year Estimates.* Retrieved from https://data.census.gov/table?t=Vacancy&g=160XX00US0952000&tid=ACSDT1Y2021.B25002 and U.S. Census Bureau (2021). *Vacancy Status, American Community Survey 1-Year Estimates.* Retrieved from https://data.census.gov/table?t=Vacancy&g=160XX00US0952000&tid=ACSDT1Y2021.C25004. Rent Growth data from Zillow (2023) *Zillow Observed Rent Index.* Retrieved from https://www.zillow.com/research/data/.

24	ECC/HANH analysis of BLS and US Census Bureau data. Job growth from BLS (2023). Local Area Unemployment Statistics. *U.S. Bureau of Labor Statistics.* Retrieved from https://data.bls.gov/timeseries/LAUMT097570000000005?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true. Housing growth from US Census Bureau (2021). Housing Units, American Community Survey 1-Year Estimates. U.S. Census Bureau. Retrieved from https://data.census.gov/table?t=Housing+Units&g=310XX00US35300&tid=ACSDT1Y2021.B25001

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26	Rodriguez, J. (2023). Why are rents still sky-high? *Business Insider.* https://www.businessinsider.com/why-apartment-rent-high-pandemic-big-cities-household-formation-roommates-2023-5

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28	Ibid.

29	U.S. Census Bureau (2021). *Occupancy Characteristics, 2010-2021 American community Survey 1-year Estimate.* Retrieved from https://data.census.gov/table?q=Household+Size+and+Type&g=160XX00US0952000

30	It is not possible to distinguish first-year undergraduate students from other young people in this data, and so it is possible that this data undercounts the percentage of the housing market–which first-year undergraduates rarely participate in–that is shaped by moves within the city.

31	U.S. Census Bureau (2023). *Housing Vacancies and Homeownership Quarterly Report.* Retrieved from https://www.census.gov/housing/hvs/data/rates.html

32	For cost-burden count, see endnote 1. For household count, see endnote 27. Building permit data from CT DECD (2023). Housing & Income Data. *Connecticut Department of Economic and Community Development.* Retrieved from https://portal.ct.gov/DECD/Content/About_DECD/Research-and-Publications/01_Access-Research/Exports-and-Housing-and-Income-Data. Internal ECC/HANH data for ECC/HANH development. For needed home estimates, see endnote 67

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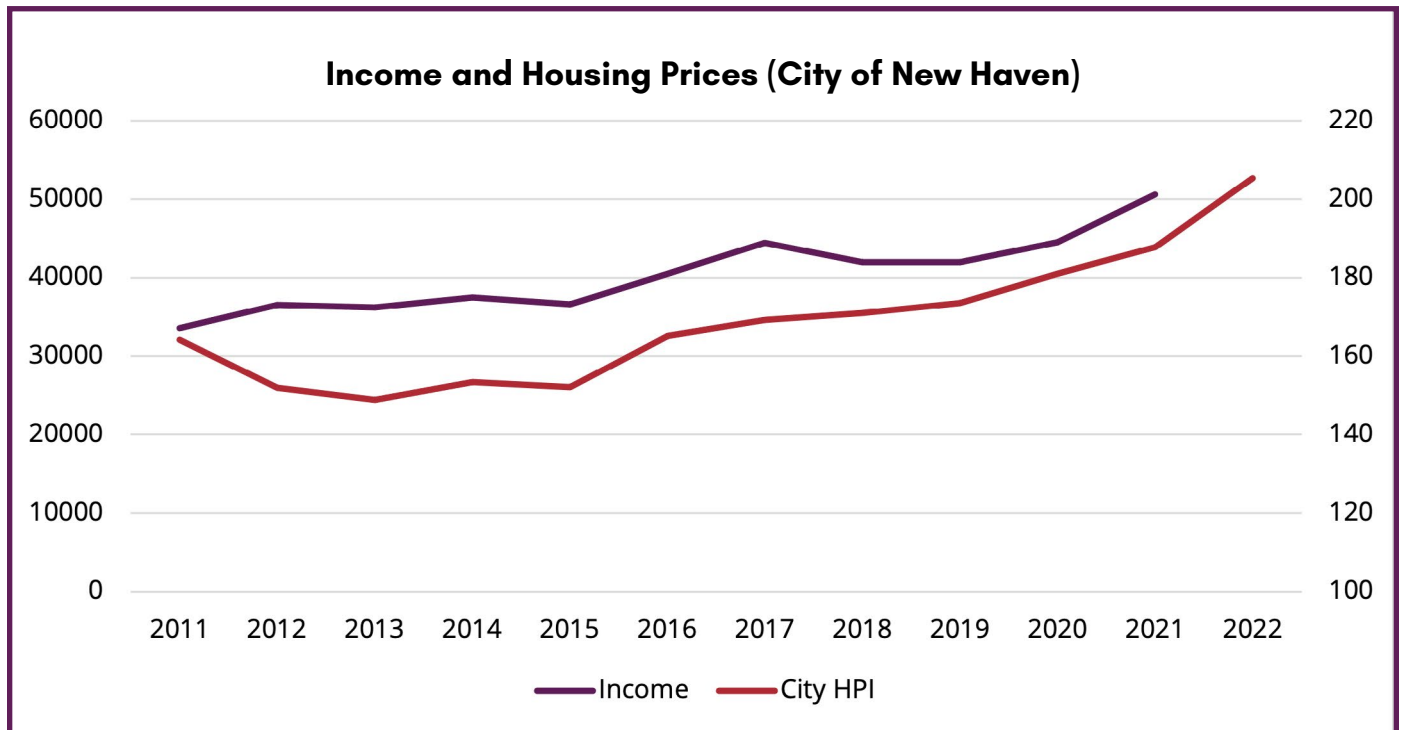
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38   For the complete zoning code, see https://library.municode.com/ct/new_haven/codes/zoning. However, a few of the city's recent amendments have not been incorporated into the written code, so the complete code does not reflect the city's actual zoning rules.

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67   We calculated this by applying 2019 vacancy rates to New Haven's 2021 households per the American Community Survey. To project to 2030, we assumed a consistent rate of job growth with the last decade's in the New Haven-Milford MSA (the smallest level of employment data available), and applied that rate (1% annually) to city household growth.

68   Internal ECC/HANH data.

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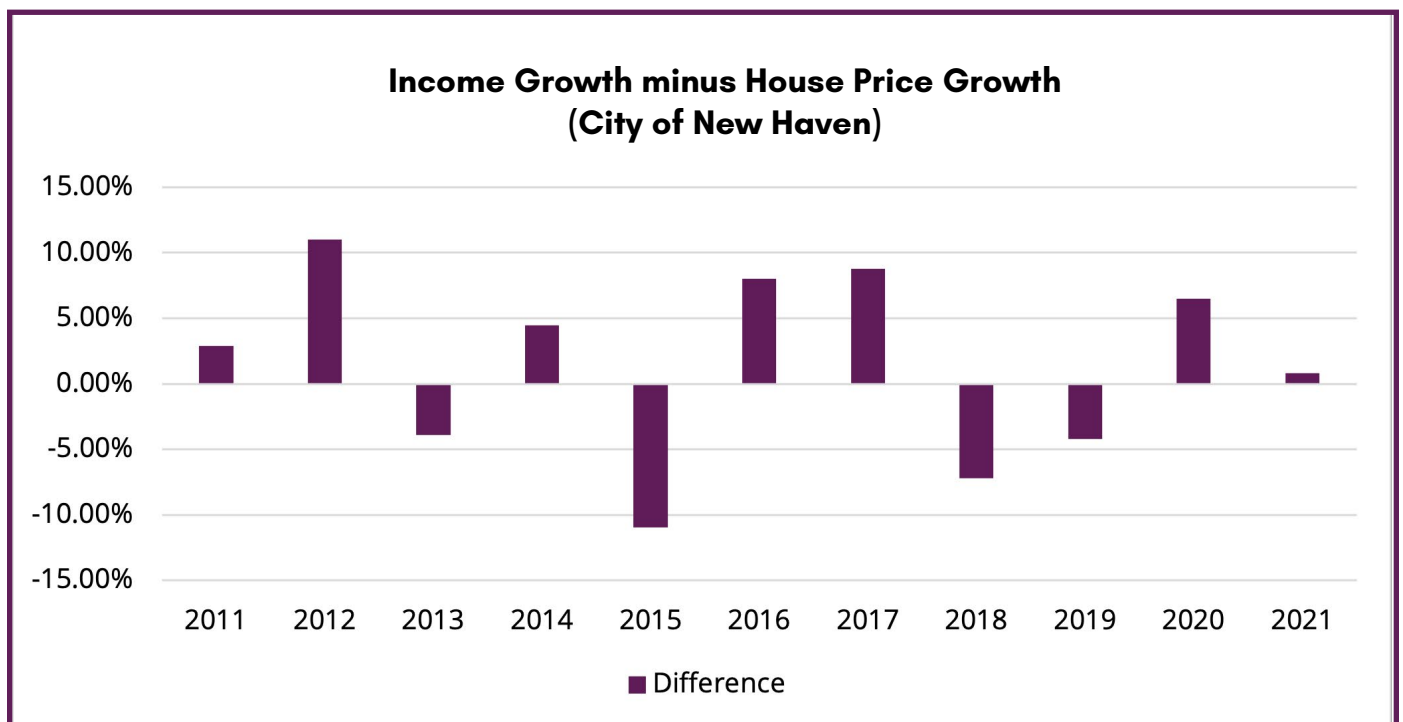
Table 1

AUTHOR(S)	YEAR	TITLE	SUMMARY	LINK
Evan Mast	2019	The Effect of New Market-Rate Housing Construction on the Low-Income Housing Market	Mast measures filtration by tracking who moves into a new building, who moves into the building that they just left from, and so on. He finds that a 100 new market-rate units should open up 70 units in the bottom half of the income distribution and 39 in the bottom fifth within 5 years.	https://research.upjohn.org/cgi/viewcontent.cgi?article=1012&-context=up_policy-briefs
Xiaodi Li	2019	Do New Housing Units in Your Backyard Raise Your Rents?	Li studies high-rise buildings and finds that for every 10% increase in the housing stock in a given area, rents decrease by 1% within 500 feet.	https://72187189-93c1-48bc-b596-fc36f4606599.filesusr.com/ugd/7fc2b-f_2fc84967cf-b945a69a4df7ba-f8a4c387.pdf
Brian J. Asquith, Evan Mast, and Davin Reed	2019	Supply Shock Versus Demand Shock: The Local Effects of New Housing in Low-Income Areas	Asquith et al. measure the impact on rents of new construction in low-income areas and find that, compared to more distant parts of the city, rents nearby are 5-7% lower.	https://research.upjohn.org/cgi/viewcontent.cgi?article=1334&-context=up_work-ingpapers
Kate Pennington	2020	Does Building New Housing Cause Displacement?: The Supply and Demand Effects of Construction in San Francisco	Pennington finds that new market-rate construction in San Francisco lowers rents by 2% within 100 meters of the new building. She also finds that displacement risks falls by 17.1% and eviction notices for rent-stabilized units decline by 31%.	https://www.dropbox.com/s/oplls6utgf7z6ih/Pennington_JMP.pdf?dl=0

For a broader and deeper sense of the research, see Been, Ellen, and O'Regan 2019 (Supply Skepticism: Housing Supply and Affordability), and Phillips, Manville, and Lens 2021 (The Effect of Market-Rate Development on Neighborhood Rents).

Income and Housing Prices (City of New Haven)

* See endnote 22 for context.

Income Growth minus House Price Growth
(City of New Haven)

* See endnote 22 for context.