

Town of Bethlehem, Connecticut

Affordable Housing Plan

Adopted:



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Appendix: Survey Results

1. Introduction & Definition of Affordable Housing

This plan has been prepared in compliance with the statutory requirements of C.G.S. 8-30j to identify a range of affordable housing goals and strategies that are feasible in the rural development environment of the Town of Bethlehem, emphasizing those strategies that are most practical and implementable at the local level. Overall, the plan recognizes that there is a need for more affordable housing at both the regional and municipal levels within the context of planning for Bethlehem's role within an economically vibrant, diverse, and inclusive region.

Regional Context

Over 450,000 people reside in the Naugatuck Valley Council of Governments (NVCOG) Region in a wide variety of housing types and settings. These include dense apartment houses and three-deckers in Waterbury, rural farm properties in Bethlehem and Woodbury, and suburban single-family homes in Cheshire, Prospect and Watertown. Historically, the region has been characterized by lower median home prices and rent levels and a correspondingly high level of housing affordability relative to other regions of Connecticut. However, the region's supply of affordable housing is concentrated in its urban centers. This can make it difficult for teachers, first responders, municipal employees, agricultural, retail and service sector workers to find housing in the communities in which they work.

From 2010 to 2020, the region maintained a stable population with a 0.4% growth rate over the decade. With its decline from 3,607 population in 2010 to 3,385 population in 2020 (2020 census data), Bethlehem's population trend of approximately -0.6% per year falls below the regional average. Overall, the growth rate in the region stagnated during the 2009 recession and has not yet recovered to the pre-2009 level. The region also has an aging population with 17% of its residents over the age of 65. For Bethlehem's population, 18% is over the age of 65.

The COVID-19 pandemic illuminated some of the challenges that the region's most vulnerable households face with housing affordability. Over the past several years, concerned residents and elected officials have drawn increased attention to affordable housing issues such as:

- A limited supply of housing choices, especially for the elderly and disabled; and
- A growing number of households spending an uncomfortably high proportion of their income on housing costs.

While these concerns are certainly not unique to the Town of Bethlehem, NVCOG Region or Connecticut, recent state legislation (C.G.S. 8-30j) requires each of Connecticut's municipalities to create municipal affordable housing plans for submission to the Office of Policy Management (OPM) and to update these plans at least once every five years after the initial submitted plan. The plans must specify how the municipality intends to increase the number of affordable housing developments.

Naugatuck Valley Planning Region



NAUGATUCK VALLEY
COUNCIL of GOVERNMENTS

Bethlehem's Housing Profile

Because Bethlehem does not currently have a zoning ordinance, housing construction is regulated by Connecticut Department of Health and local sanitary standards for well and septic system placement and minimum lot size, as well as by local subdivision regulations and by local and state building codes. As is true throughout the state, a significant number of existing smaller homes, specifically those in the Kasson Grove community, were constructed prior to current regulations and could not be built under current code requirements.

Although Bethlehem's housing stock of approximately 1,600 total housing units is over 95% single-family and predominantly owner-occupied (84%), there is still a small inventory of existing multi-family units. According to the 2020 Census, there are 26 two-family units (1.5%); and 40 units within buildings with 3 or more units (2.5%). The multi-family senior complex at 11 Jackson Lane constitutes the one structure in the town with more than 5 units. It is important to note that while multi-family housing can sometimes be associated with "affordable housing," the two terms are not synonymous. Multi-family units that are rented or sold at market rate are often not affordable based on the definitions below. Affordable units for both ownership and rental occupancy can be in the form of newly constructed or rehabilitated single-family homes with a rent cap or deed restriction to maintain affordability.

Bethlehem's average home value of approximately \$328,500 and average annual local property taxes of just over \$4,000 makes it one of the more affordable suburban/rural locations within the NVCOG region as well as within the State of Connecticut. However, a significant percentage of Bethlehem's single-family homeowners (21%) are burdened with mortgage costs and taxes that are above 30% of their income. Average market rate rent in Bethlehem is approximately \$1,391. Given the overwhelming proportion of single-family housing stock, it is reasonable to assume that the average rental rate represents primarily single-family homes as well, typically with 3 or more bedrooms.

Of the 196 Bethlehem households that rent their home, over half (59%) pay more than 30% of their income in rent. Six percent of Bethlehem households live below the federally defined poverty line. As one of its five General Recommendations and Conclusions, Bethlehem's Draft 2022 Plan of Conservation and Development recommended an "examination of the current and future needs and services for senior citizens." Clearly based on the survey results summarized in Section 2, creating more affordable and adaptive housing is one of these needs.

Like the overall region, Bethlehem has had a low rate of new housing construction throughout the 2010-2020 period, with an increase of only 1.9% throughout the past decade. In 2020, only 4 new units were constructed. More than a third of the town's homes (35%) were constructed prior to 1960 and many require significant capital investment to maintain a state of good repair and modern energy efficiency standards due to outdated features like electric heating or inadequate insulation.

In addition, with an aging population, a significant number of Town residents may require adaptation of their existing home to meet mobility challenges or other physical limitations. Older residents may be unaware of federal, state and non-profit charitable assistance to finance these modifications and can often be reluctant to ask for help. A public information strategy may be the easiest route to connect the population in need with available sources of assistance.

Another avenue for addressing housing needs is the construction and rehabilitation of single-family affordable housing units which is particularly applicable in a low-density setting such as Bethlehem where residents are dedicated to preserving the Town's existing rural and agricultural character.

What is Affordable Housing?

In common sense terms, affordable housing in a rural community comes in many different shapes and sizes, from the 24-unit senior housing North Purchase development built in the early 1980's at 11 Jackson Lane, to individual smaller homes, to accessory dwellings constructed within the footprint of an existing home or as an outbuilding. In addition to the North Purchase complex, three houses within Bethlehem are currently financed via the CHFA affordable housing program and another six are financed with deed-restricted mortgages from the USDA's Section 502 rural affordable housing program. These 33 units constitute the State's Affordable Housing Appeals List eligible units for the Town (i.e. 2.10% of the Town's 1,577 total units).

Because Bethlehem does not have municipal zoning regulations, the zoning appeals provisions of CGS 8-30g for which the Housing Appeals List is compiled do not apply. If a site within Bethlehem met all other site development standards for septic and water supply, subdivision approval, wetlands, etc., it would be approved via an administrative process rather than a discretionary one. While the supply of statutorily defined affordable housing units in Bethlehem is quite small, there are a significant number of more moderately priced "starter" homes that do not meet the statutory definition of affordable housing (see below) because they are not permanently restricted to low- and moderate-income housing and often have a need for renovation or ongoing maintenance that adds to their occupancy cost. Nonetheless, this housing stock constitutes an important but diminishing resource to meet the Town's overall housing goals.

Statutory Definitions

The applicable state and federal regulations contain several definitions of affordable housing. According to the pertinent state and federal legislation, only 2.10% of Bethlehem's housing is considered affordable – meaning that it is restricted to occupants with incomes below 80% of the regional median income who pay a monthly rent or mortgage, tax and utility cost that are equal to or less than 30% of the household's income.

The specific methods for calculating what is defined as affordable housing are detailed below:

Connecticut's Definition of Affordable Housing

Connecticut's statute CGS 8-30g enacted in 2017 defines affordable housing development as "a proposed housing development which is (a) assisted housing, or (b) set-aside development."

The same statute defines assisted housing as "housing which is receiving, or will receive, financial assistance under any governmental program for the construction or any substantial rehabilitation of low- and moderate-income housing, and any housing occupied by persons receiving rental assistance [under applicable state and federal guidelines]."

This can include:

- Housing that was constructed or rehabilitated through federal programs, including the Low-Income Housing Tax Credit (LIHTC), or through state programs, including the Connecticut Housing Trust Fund or the Connecticut Affordable Housing Program (FLEX).
- Home ownership financed through federal programs, including the United States Department of Agriculture Section 502 Guaranteed Loan Program, or through state programs, including the Connecticut Housing Finance Authority (CHFA);
- Tenant Rental Assistance Programs as defined further federally through 42 U.S. Code Section 143f, Low-income Housing Assistance, or as defined further state-wide through C.G.S. Chapter 128a, Rental and Other Assistance, or C.G.S. Chapter 138b, Housing Programs for Homeless Persons. This can include federal programs, including the Federal Housing Choice (Section 8) Voucher program or state programs, including the Rental Assistance Certificate Program.

In addition, set aside development is defined as:

"A development in which not less than thirty percent of the dwelling units will be conveyed by deeds containing covenants or restrictions which shall require that, for at least forty years after the initial occupation of the proposed development, such dwelling units shall be sold or rented at, or below, prices which will preserve the units as housing for which persons and families pay thirty percent or less of their annual income, where such income is less than or equal to eighty percent of the median income.

In a set-aside development, of the dwelling units conveyed by deeds containing covenants or restrictions, a number of dwelling units equal to not less than fifteen percent of all dwelling units in the development shall be sold or rented to persons and families whose income is less than or equal to sixty percent of the median income and the remainder of the dwelling units conveyed by deeds containing covenants or restrictions shall be sold or rented to persons and families whose income is less than or equal to eighty percent of the median income."

Federal Definition of Affordable Housing

To calculate affordable housing needs and resources, the U.S. Department of Housing and Urban Development releases yearly income limits based on the geographical areas, called Fair Market Rent (FMR) areas. Bethlehem is located within the Litchfield County (non-urban) FMR. Household income limits for consideration as affordable housing within the Connecticut statutes cited above are based on household size, as shown in the table below:

Household Income (\$)						
	1 Person	2 People	3 People	4 People	5 People	6 People
80% of Area Median Income (2021)	\$55,950	\$63,950	\$71,950	\$79,900	\$86,300	\$92,700
Monthly Housing Costs (Rent/Mortgage + Utilities) (\$)						
	1 Person	2 People	3 People	4 People	5 People	6 People
30% of income for a household at 80% Area Median Income (2021)	\$1,399	\$1,599	\$1,799	\$1,998	\$2,158	\$2,318

In making the calculations indicated, the following housing costs are included:

- For renters: rent, common charges, and heat and utilities, excluding cable services.
- For homeowners: mortgage payments, property taxes, property insurance, common charges, and heat and utilities, excluding cable services.

2. Affordable Housing Survey

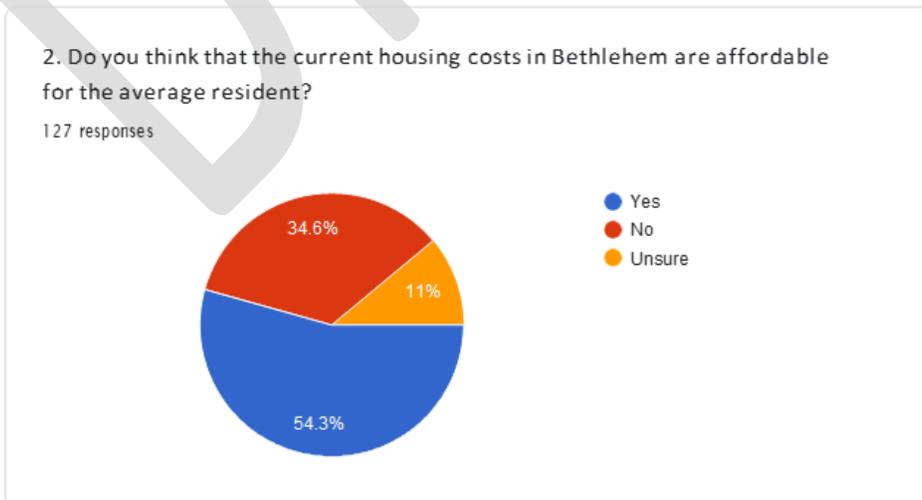
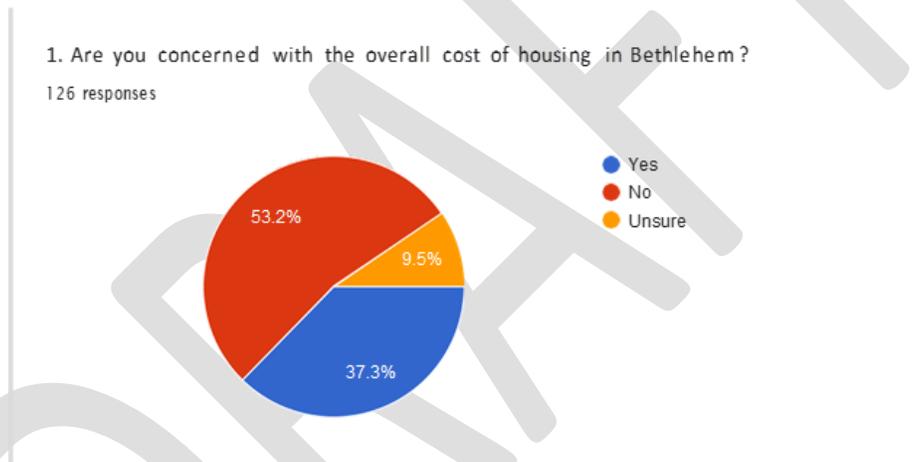
Methodology

In September through December of 2021, the Bethlehem Affordable Housing Committee conducted a 21-question survey of households in Bethlehem. Utilizing a state grant to pay for printing and postage, surveys were mailed to town residents, with a total of 128 returned responses. A copy of the survey form is attached as an appendix to this report.

Summary of Results

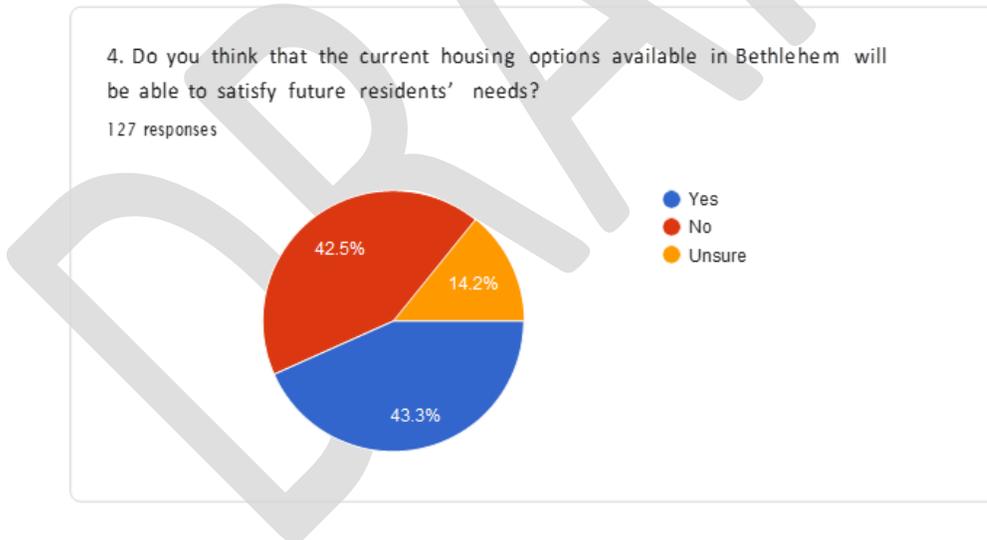
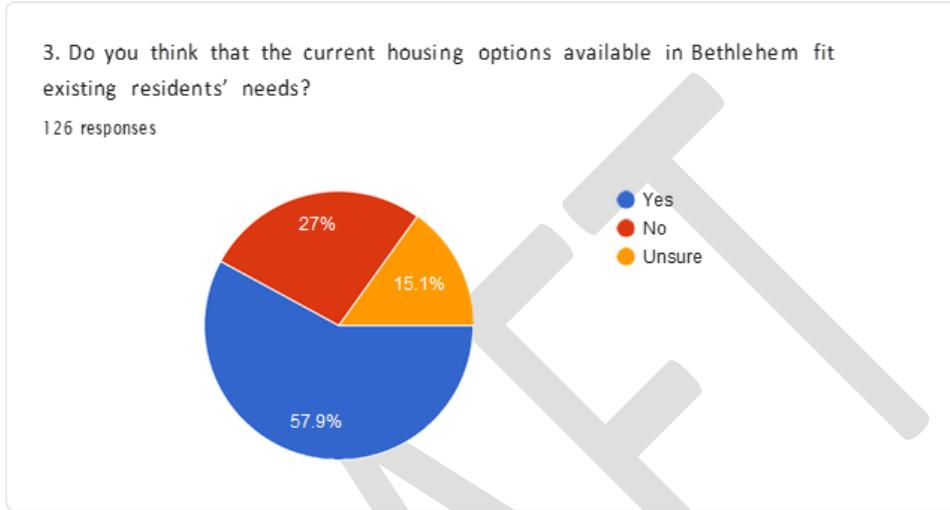
Housing Cost

In response to the survey's first question, more than half of survey respondents (53%) indicated that they were concerned with the overall cost of housing in Bethlehem, while a smaller share (35%) responded to the second question that current housing costs are not affordable for the average resident.



Adequacy of Housing Options

Given that the survey was distributed only to current residents of Bethlehem, it is not surprising that a significant majority of respondents felt that the current housing options fit their needs in response to question 3. However, a somewhat smaller share (43%) felt that current housing options will be able to satisfy future residents' needs – possibly due to anticipation of changing housing requirements as the population grows older.

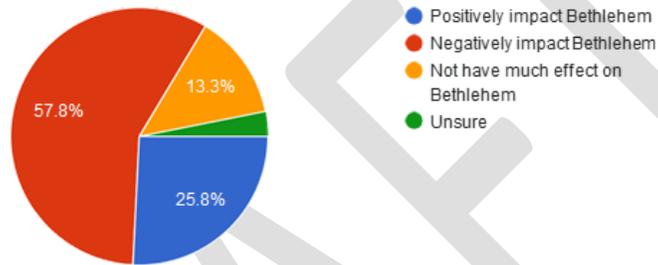


Preferences for Housing Type and Future Development

For questions 5 and 6, most respondents did not prefer even a moderate change in housing type or in the number of housing units overall. This finding is consistent with the policy of limited growth stated in the current Plan of Conservation and Development, as well as with the natural limitations to development in the absence of municipal services.

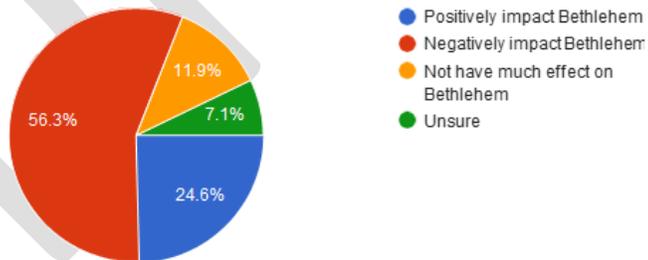
5. Do you think a moderate increase in housing types (for example, apartments, duplexes, triplexes, etc.) in Bethlehem would positively impact the Town, negatively impact the Town, or not have much effect on the Town?

128 responses



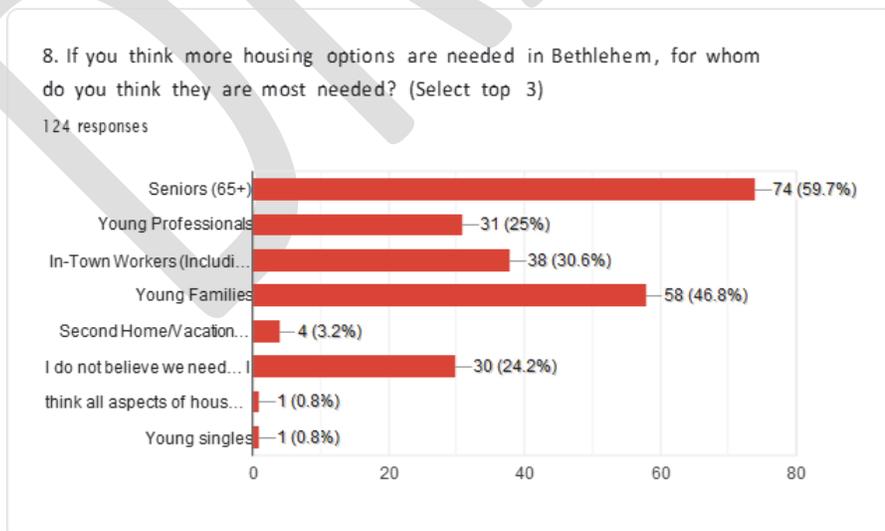
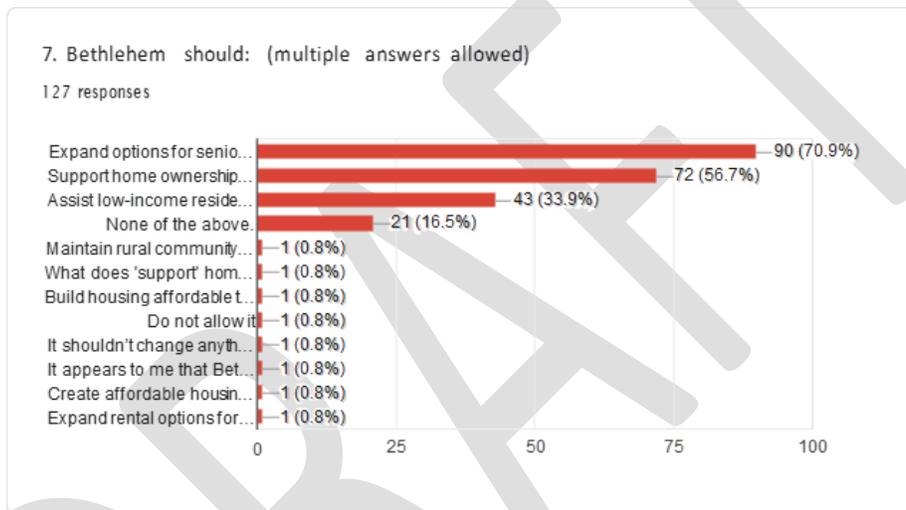
6. Do you think increasing the number of housing units in Bethlehem would positively impact the Town, negatively impact the Town, or not have much effect on the Town?

126 responses

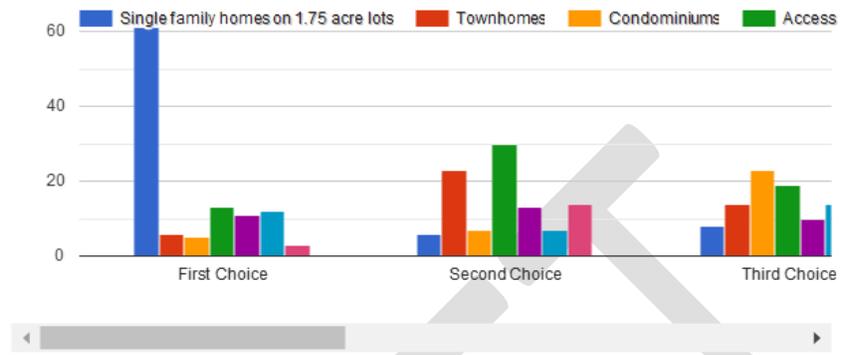


Affordable Housing Needs and Options

For questions 7-10, respondents indicated the strongest support for “expanded options for seniors” and more generally “support for home ownership.” This finding closely matches the results for questions 5 and 6. It is consistent with the focus on the needs of seniors as stated in the current Plan of Conservation and Development. These responses also match the Town’s emphasis on maintaining the existing rural, single-family, homeowner pattern that is its current character, while offering assistance to young families and lower income residents to attain home ownership.



9. What types of housing is needed in Bethlehem? Please rank, with 1 being the most needed and 8 being the least needed.

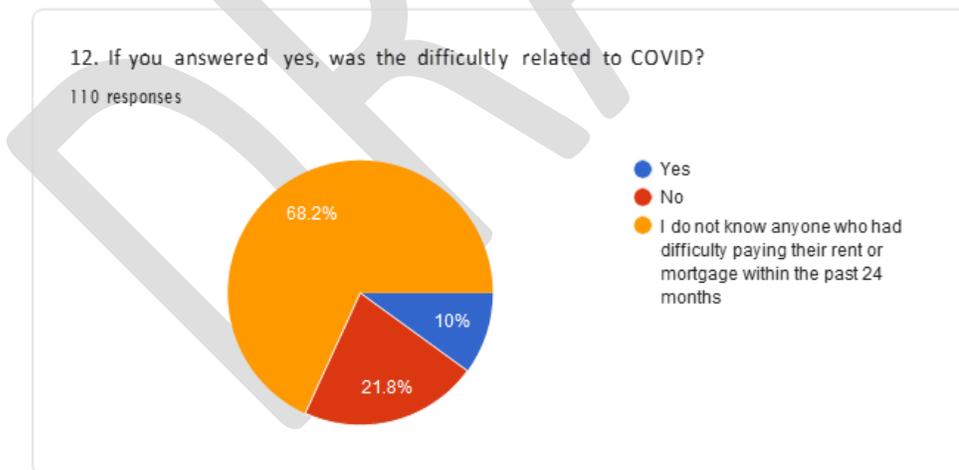
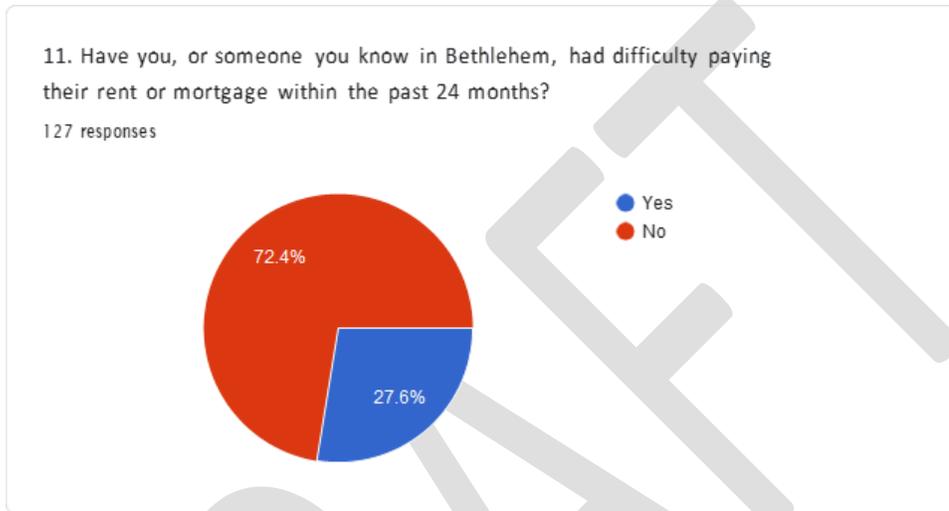


10. Please rank, in your opinion, the following potential obstacles to the development of more housing options in Bethlehem, from 1 (biggest obstacle) to 7 (smallest obstacle):



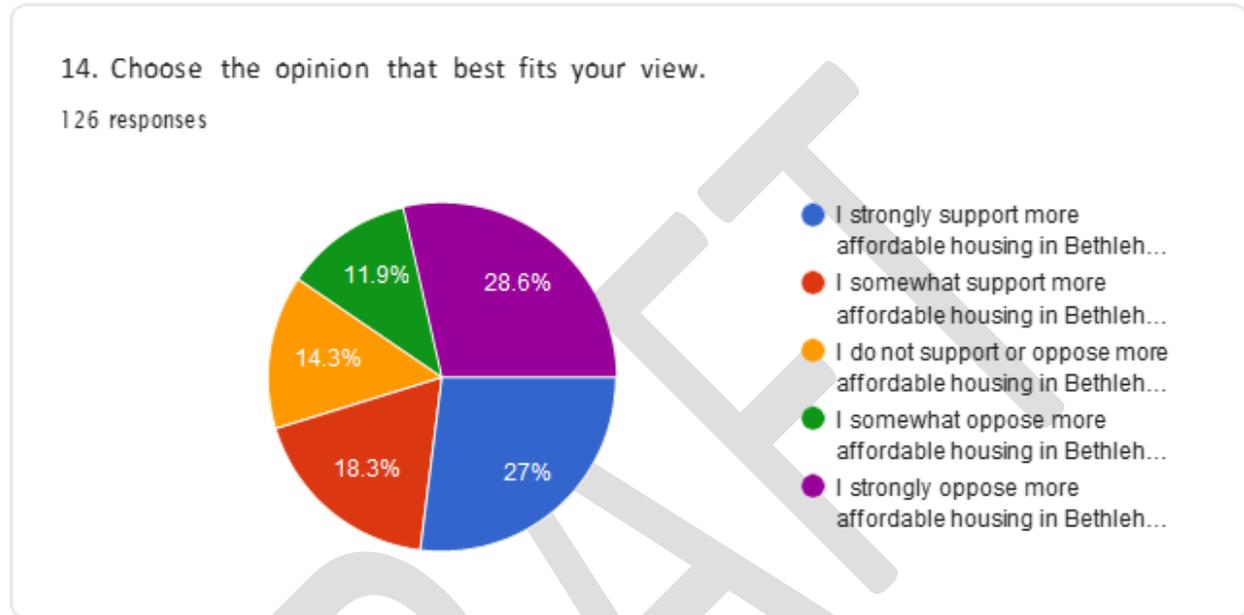
Concerns Over Housing Cost/Covid Crisis

Given Bethlehem's demographic and housing cost profile as detailed in Section 1, it is not surprising that the majority of respondents did not have difficulty paying their rent or mortgage and did not know of others who did. However, there is a significant minority of respondents who did have difficulty with housing affordability, again matching the 2020 Census data. For 10 percent of respondents, Covid was identified as a reason for having difficulty with housing affordability.



Support for Affordable Housing

In selecting from the answer choices in question 14, a majority of those surveyed (61%) chose a response that was supportive of affordable housing or neutral to it. Based on the responses to the preceding questions, it seems likely that support or opposition would depend on the type and size of affordable housing proposed, with the strongest support for single-family home ownership with affordability restrictions.



Eight additional survey questions were asked including an open-ended opportunity to provide additional thoughts. A graphic summary of all survey question responses is provided as an appendix to this report.

3. Issues of Concern

There are several significant reasons why the shortage of affordable housing has become an issue of growing concern throughout Connecticut. Like the rest of the U.S., Connecticut has experienced rising mortgage interest rates, as well as salaries that have not kept pace with increasing housing costs. In addition, for a variety of reasons, new housing production has been skewed towards larger, higher end homes with fewer smaller starter homes entering the market, especially in the Northeast.

In addition to these factors, the housing market within Bethlehem is subject to trends that are specific to Bethlehem and adjacent communities in Litchfield County. These include: a price spiral due to out-of-area second home buyers; the absence of municipal services and a limited town road grid that effectively rule out a significant increase in construction; and a lack of rental housing options in a community where the housing stock is overwhelmingly single-family, owner-occupied units.

Rising Mortgage Interest Rates & Construction Costs

With current mortgage interest rates above 7% as compared to 3% and even lower within the past year, more and more buyers are finding it difficult to finance a single-family home with a conventional 30-year fixed rate mortgage. This shift may result in a small decrease in average home prices but without any benefit to buyers. In addition, supply chain issues and inflation have significantly increased home construction costs by up to 15% over the past two years. These higher costs would likely be reflected in higher prices for comparable homes versus those built prior to 2020.

As noted in a policy review from the National Association of Regional Councils (NARC): “The National Association of Realtors recently reported that there is a shortage of at least 5.5 million homes. Harvard University’s Joint Center for Housing Studies found that rents rose 12 percent nationally and as much as 20 percent in certain metropolitan areas in the first quarter of this year when compared to the first quarter of 2021. And the Department of Housing and Urban Development indicated that nearly half of all renters spent at least 30 percent of their income on housing, putting significant financial stress on these households.”

Incomes Have Not Kept Pace with Housing Costs

For some Bethlehem residents who purchased a home years ago or who are easily able to afford their housing costs, it can be a challenge to understand that there are affordable housing needs within their own community. Yet, many of the people who provide essential services, such as teachers, mental health and healthcare workers; first responders; retail and service

workers; and workers in agricultural and nursery businesses, may not be able to afford to live within the town, particularly if they are facing increasing rents and home mortgage interest rates as well as the increasing cost of living due to inflation and educational debt.

Absence of Starter Homes

According to a September 22, 2022 New York Times article: “The nation has a deepening shortage of housing. But more specifically there isn’t enough of this housing: small, no-frills homes that would give a family new to the country or a young couple with student debt a foothold to build equity. The affordable end of the market has been squeezed from every side. Land costs have risen steeply in booming parts of the country. Construction materials and government fees have become more expensive.”

Barriers to younger families seeking a first home are well-known, but the aging population and the absence of younger homebuyers creates a shortage of volunteers for Bethlehem’s fire department and ambulance services, as well as decreasing utilization of the Town’s shared investment in the Regional School District, its parks and recreational programming and ultimately diminishing its character as a welcoming, family-oriented community.

Absence of Municipal Services and Town Road Grid

No portion of the Town of Bethlehem is serviced by municipal water supply or sewer. All properties require individual wells and septic systems. These site development and site access costs can add up to \$25,000 or substantially more (depending on size, soil conditions, depth to water, etc.) and therefore make it even more challenging to deliver a new affordable housing unit in a rural environment. One potential solution to this problem is to focus affordable housing initiatives on sites with existing services such as rehabilitation of existing homes or adding accessory dwelling units within serviced properties with the capacity to accommodate additional bedrooms.

Price Spiral Due to Out-of-Area Purchases

In many areas of Litchfield County, a significant number of second home buyers with substantially higher incomes than the town median has skewed the housing market away from construction of smaller starter homes.

While the pandemic spurred a nationwide increase in home prices, this effect is particularly pronounced in communities at the periphery of large metropolitan areas where an increase in work flexibility and remote work policies has driven up high-end housing demand. Even with the overall rise in home prices, Bethlehem remains towards the lower end of the scale within Litchfield County, but this is subject to change as rising prices drive some out-of-area buyers towards homes that are slightly farther from New York and Westchester County.

Lack of Rental Housing

In Bethlehem approximately 10% of housing units are rentals and most of these are single-family homes, so that an even smaller share of these rentals are available at what would be affordable rents to families at the local median income.

The lack of rental housing causes some municipal and service employees to travel significant distances to work. It is also true that long-time town residents may not be able to find suitable housing as their income levels and housing needs change over their lifetimes.

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4. Opportunities

With its preponderance of single-family homes and lack of municipal services, an affordable housing strategy focused on affordable homeownership seems like the best opportunity for Bethlehem to gradually increase the absolute number and proportion of affordable housing units. Another important strategy may be to focus on opportunities for maintaining and rehabilitating existing housing units and in some cases adding them to the Housing Appeals List through deed restrictions on future owners or renters. While they are typically not included as eligible on the Housing Appeals List, accessory dwelling units built as an addition or within existing homes, or as an outbuilding on a larger property may add to the overall housing stock and provide more affordable rental opportunities for small families and seniors.

Opportunities for Affordable Home Ownership and Financing

The Connecticut Housing Finance Authority, the US Department of Agriculture (USDA) Section 502 programs, and the Connecticut Affordable Housing Program (FLEX) offer homebuyer mortgage programs to assist households with varied income levels in financing a home. The USDA has two programs under the Section 502 Loan Program. For the 502 programs, assistance is provided to increase the applicant's repayment ability through a subsidy for a specified time. The FLEX program provides grants, loans, loan guarantees, deferred loans, or a combination of these elements for the development and preservation of affordable housing. Municipalities, non-profit organizations, local housing authorities, and for-profit developers are eligible to apply for participation in the FLEX program.

Some options for Town and community support include:

- Educational resources in Town Hall and on the Town website with a local contact who is familiar with the program parameters.
- Additional training for municipal staff regarding affordable housing support.
- Opportunities for CFHA to meet with offer informational programming in connection with other related community and business events.

Opportunities for Maintenance and Rehabilitation of Existing Housing

Particularly in a rural community like Bethlehem, the best opportunity to enhance affordable housing supply may be in the maintenance and rehabilitation of existing housing. Even if local resources are limited, there is a strong symbolic value in working with organizations such as Habitat for Humanity or a community foundation to address existing deteriorated or blighted properties. Often the residents of these properties are elderly and may need additional accommodations for mobility which can be included within a renovation project. In addition, the rehabilitation of a deteriorated or poorly maintained property will have significant corollary benefits for the value of adjacent homes and land, as well as enhancing the overall appearance of the community.

Accessory Dwelling Units

Because there is no local zoning ordinance, many of the provisions of Public Act 21-29 which was passed last year by the Connecticut legislature, such as those relating to zoning-required setbacks and density restrictions, do not apply to the Town. However, accessory dwelling units (ADU's) are an option on larger properties with the septic and water service capacity to accommodate an additional unit. Typically because these units are substantially smaller and with more limited occupancy than the primary unit on the property, their increased demand for service is quite moderate. Accessory dwelling units can provide the most contextual and adaptable form of affordable housing as well as responding to individual residents financial and family needs.

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5. Affordable Housing Goal and Strategies

Over a series of meetings in October and November 2022, Bethlehem's Affordable Housing Committee stated its affordable housing goal as:

“Define, implement and sustain appropriate housing to support the continued healthy growth of the Town as a home for a wide range of residents and to continue to meet their housing needs with a mix of affordable rental and ownership units.”

The committee also developed the following phased implementation strategies for adoption as a component of the Bethlehem Affordable Housing Plan:

Plan Submission Phase

- Identify and adopt affordable housing goals and strategies for inclusion within the Affordable Housing Plan.
- Hold a Town Meeting for approval of the plan and provide community education.
- Submit the adopted Affordable Housing Plan to the Connecticut Office of Policy and Management by December 2022, as required by State statute CGS 8-30j.

Preparation Phase (1 - 2 Years)

- Hold a post-submission Ad-Hoc Affordable Housing Committee meeting to plan the next phase of activity.
- Set up a regular meeting schedule for the Ad-Hoc Affordable Housing Committee.
- Explore town recognition for the committee in the form of an Advisory Affordable Housing Commission with a specific number of members and responsibilities authorized by municipal resolution.
- Invite speakers from regional affordable housing organizations to address the committee and public audiences.
- Invite members of the local and regional banking, non-profit, and faith communities to identify non-governmental options for increasing the supply of affordable housing.
- Meet with Planning and Finance Commissions to discuss goals, options, and approaches.
- Provide information and brochures regarding CHFA and other affordable loan programs at Town Hall, local banks, and mortgage lenders.

Incubation Phase (3 - 4 years)

- Explore options for renovation and conversion to affordable housing for “starter homes” or rentals in cooperation with non-profit organizations for a property or properties that are:
 - in foreclosure or pending foreclosure status
 - within other planned property developments
 - with Accessory Dwelling Units
- Work with local commissions and committees to identify ordinances preventing the affordable housing initiative from moving forward and define solutions to overcome challenges associated with appropriate opportunities.
- Identify 1-3 locations within the Town (most likely with Town or non-profit ownership of the land) that might meet site requirements for new senior housing developments and conduct preliminary engineering review studies.
- Identify a non-profit partner or partners who would sponsor the construction of a senior housing project.
- Identify public preferences, funding sources, and parameters to determine the number and type of units that are feasible.

Implementation Phase (4 to 10 Years)

- Increase the number of affordable “starter home” units by 10-20 depending on financial and site opportunities.
- Select a preferred site for the construction of new senior housing and conduct full engineering and municipal approval process.
- Construct additional senior housing units at one or more suitable sites.