REGULAR MEETING – AD HOC AFFORDABLE HOUSING COMMITTEE AGENDA

JULY 24, 2025, 6:00 PM
BY ZOOM VIRTUAL MEETING

To allow public access, anyone may access a meeting by telephone and/or Zoom, or a recording in the City of Norwalk YouTube channel. Specific instructions and links can be found at norwalkct.gov/meetings.

Members of the public may call in to participate. Callers will not be able to see the meeting participants. All participants will be muted upon entering the meeting. To speak, dial *9 on the phone and you will be called on by the host of the meeting during the public comment section. All speakers must state their name and address. Comments must be on a topic on the agenda, and are limited to three minutes. Anyone disrupting the orderly conduct of the meeting, including by using threatening, hateful, or sexually-explicit language, will be removed. Please find the information using the link above.

Members of the public who wish to provide "live comments" may also use the Zoom meeting platform. All participants will be muted upon entering the meeting. To speak, click the “raise your hand indicator” and you will be called by the host of the meeting during the public comment section. All speakers must state their name and address. Comments must be on a topic on the agenda, and are limited to three minutes. Anyone disrupting the orderly conduct of the meeting, including by using threatening, hateful, or sexually-explicit language, will be removed. Please find the information using the link above.

Members of the public who wish to provide public comment are encouraged to submit those via email in advance of the meeting. For these comments to be included into the record, they must be submitted by 12:00 p.m. the day of the meeting. Please email Michelle Andrzejewski at mandrzejewski@norwalkct.gov with the subject line “Public Comment” to provide written public comment prior to the meeting.

I. CALL TO ORDER

II. ROLL CALL

III. ACCEPTANCE OF MINUTES

A. Regular Meeting: May 29th, 2025

IV. PUBLIC PARTICIPATION

V. OLD BUSINESS

A. Update on the Affordable Housing Plan Action Tracker.

VI. NEW BUSINESS

A. Presentation on Missing Middle Housing - Informational.

VII. DISCUSSION

VIII. ADJOURNMENT

CITY OF NORWALK
AD HOC AFFORDABLE HOUSING COMMITTEE
REGULAR MEETING
MAY 29, 2025
VIA ZOOM VIRTUAL MEETING

ATTENDANCE: Nora Niedzielski-Eichner: Chair, Nicole Eaddy, Douglas Sutton, Heather Dunn, Jalin Sead, Darlene Young

STAFF: Michelle Andrzejewski

OTHER: Johan Lopez, Steve Kleppin, Donald Poland, Ana Tabachnek

I. CALL TO ORDER

Ms. Niedzielski-Eichner called the meeting to order at 6:00 p.m.

II. ROLL CALL

There was no roll call. A quorum was present.

III. ACCEPTANCE OF MINUTES

A. Special Meeting: 4/29/25

Ms. Eaddy noted two corrections: On page three, the first paragraph incorrectly attributed a question about L payments to her—it was Barbara Smith who had asked that question. Additionally, the word "loan" was misspelled and should be corrected in the second paragraph.

**** MS. NIEDZIELSKI-EICHNER MOVED TO ACCEPT THE MINUTES AS AMENDED.**
**** THE MOTION PASSED WITH FOUR IN FAVOR.**

IV. PUBLIC PARTICIPATION

No one from the public wished to participate.

V. OLD BUSINESS

There was no old business discussed at this time.

VI. NEW BUSINESS

A. Tax Incentive Policy Options - Presentation by Don Poland, PhD, AICP

Ms. Niedzielski-Eichner stated Mr. Poland's presentation focused on the strategic use of tax abatements in affordable housing and community development, particularly under Connecticut state statute 12-65b. She emphasized that Norwalk has not yet utilized this statute, and part of the committee's role is to determine whether a recommendation should be made to Planning and Zoning or the Ordinance Committee regarding its adoption.

Mr. Poland began his presentation which included slides, by explaining his background with Gilman York Property Advisors and how he came to be involved in tax abatement work. He shared that before 2015, tax abatements were largely associated with economic development, but in recent years, they have become more relevant to residential development due to high construction costs and moderate returns. He emphasized that tax abatements should be strategic tools grounded in public policy objectives, such as affordable housing, rather than blanket incentives.

Mr. Poland clarified misconceptions about tax abatements being "giveaways" to developers, stressing that when applied appropriately, they support developments that would otherwise be financially infeasible. He underscored the importance of tailoring abatements based on financial need and aligning them with specific community goals.

Mr. Poland reviewed Connecticut's statutory authority under section 12-65b, noting the 2023 amendments that extended allowable abatement terms to 30 years, added personal property tax abatements and introduced provisions for airspace abatements. He cautioned against general use of the 30-year term except in cases like affordable housing, where it may be justified.

Mr. Poland presented a table of ten tax abatements he has facilitated since 2015, nine of which were in the Hartford region. These included both housing-only and mixed-use developments, with varied terms and levels of abatement. He emphasized that each agreement was based on a

detailed proforma analysis demonstrating financial necessity.

In reviewing financial feasibility, Mr. Poland showed comparative rent analyses conducted in West Hartford, Wethersfield, and East Hartford. He provided examples using basic cost and rent calculations to demonstrate when a project becomes financially viable. He highlighted that while market-rate developments may be feasible with current rents, affordable units often fall short of the income needed to cover construction costs, thereby requiring public support.

Mr. Poland discussed the importance of return on investment (ROI) thresholds, noting that most investors require a 12–18% ROI due to the high risks associated with real estate development. He explained that without sufficient ROI, developers cannot attract the necessary equity or debt financing, making public participation through incentives critical for affordable housing.

Following the prior document, Mr. Poland continued to outline different financial models applied to affordable housing developments and the varying impacts of affordability requirements, tax abatements, and incentive structures on project feasibility.

The discussion began with an analysis of 8-30g developments using different affordability thresholds: half the units at 80% AMI and half at 60% AMI. This model yielded returns in the 1–3% range. When tested with only 15% of units at 80% AMI and no financial assistance, returns improved slightly. A second scenario with 8-30g and financial assistance showed better returns, suggesting assistance was a significant factor. Office conversions with financial support also performed well. The most favorable scenario was converting large single-family homes (e.g., 6,000 sq ft) into four-unit dwellings with one affordable unit, which delivered returns close to single-family rental models.

Mr. Poland emphasized that different types of housing developments produce varying financial outcomes due to construction costs and the differing levels of assistance or subsidies needed. He indicated public financial support improved viability, particularly for affordable housing projects. He stated in one mixed-use development example with 10% affordable units at 80% AMI, the developer's numbers showed a direct financial loss tied to the affordable component. He noted these included calculations of projected market rents, affordable rent levels, utility allowances, and monthly/yearly rent differentials. He pointed out that ultimately, the 10% affordability requirement resulted in a 4% value loss on the project's sale price, amounting to $35,000 in annual income losses or $12,000 per affordable unit. Losses scaled with increased affordability: a 20% requirement meant $600,000 in losses; 30% meant $900,000.

Mr. Poland explained that over 10 years, a 25-unit component at 80% AMI would lead to a $3 million loss and $12 million over 40 years, the typical deed restriction duration for affordable units. The speaker noted that while abatements exceeding 10 years are usually disfavored, extending abatement periods to align with long-term affordability requirements—potentially up to 30 years—might be justified.

Mr. Poland continued by explaining if you are using a full 8-30g structure with 30% affordable units, half at 80% and half at 60% AMI, the projected loss reached $1.3 million annually or 16% of gross income. He asked rhetorically what the financial effect would be if 16% of a household's income were allocated to affordability, noting that this would significantly alter personal financial planning. He indicated the same effect occurs with development finances, impacting long-term operations and capital reserves needed for maintenance.

Mr. Poland said tax abatements and fixing agreements were presented not as giveaways but as critical tools to make developments financially feasible. If developments are unviable without such mechanisms, they won't be built—resulting in a lost opportunity for new tax revenue. A detailed case study followed: the One Park development in West Hartford. Originally an old convent, the project aimed to deliver 400 apartments with 10% affordable units. The project faced increased costs from historic preservation requirements. The developer requested tax abatement, arguing the project would be unviable otherwise. West Hartford had no prior experience granting such abatements. The developer escrowed funds for the town to hire a consultant to analyze the request independently.

Mr. Poland stated they reviewed the developer's financials and created parallel pro formas to validate the figures. After testing various models, the most viable tax abatement structure was 100% abatement for three years, followed by 80% in year four, 70% in year five, and 50% from years six to ten. This structure allowed the developer to secure financing while providing the municipality with increasing tax revenue over time. Fiscal impact analysis showed slight paper losses in the early years, offset later by steady revenue increases. The project was ultimately approved, built, and considered a success.

Mr. Poland described another mixed-use project, close to $200 million, using a 15-year fixed-value tax agreement rather than a sliding-scale abatement. He stated this fixed-value approach enabled predictable, lower tax obligations for the developer and a net gain of roughly $400,000 annually in taxes for the town, despite giving up $1 million per year in potential taxes. He noted the town benefited because the development wouldn't have proceeded without the incentive.

Mr. Poland then described another project with a 10% affordable housing requirement at 80% AMI. The developer's and consultant's financials were compared and found to be aligned. He stated the return on investment improved markedly with a tax abatement. Despite four years of negative fiscal impact due to initial tax breaks, large upfront permitting fees of over $800,000 helped offset these early losses. The deal was sold to the municipality based on this offset model. Although the project was ultimately approved, it did not proceed.

Mr. Poland pointed out that a previously referenced loss table came from this development, supporting the financial challenges tied to affordability requirements. He indicated through

collaborative financial analysis, both the developer and the town were able to reach an agreement on the structure of the tax abatement.

Lastly, the discussion turned to Section 12-65b. Mr. Poland stated while the statute does not require a municipality to adopt a formal tax incentive policy, many do so voluntarily to establish clear guidelines. He acknowledged that some communities choose to proceed without a formalized policy.
Mr. Poland explained that if a developer is willing to target lower income levels—such as 60% or 50% of Area Median Income (AMI)—they are eligible for higher percentages of tax abatement over a longer period. He continued by stating while 80% of AMI projects are the easiest to finance, deeper subsidies are necessary for lower-income units. Mr. Poland proposed using tax incentives to encourage owners of naturally occurring affordable housing to deed-restrict units. He indicated this idea originated from work with WestCOG and was intended to recognize and preserve existing affordable units.

Mr. Poland noted there are situations where owners of cash-poor, older multifamily buildings might be open to tax abatement agreements in exchange for making their units affordable and investing in needed improvements. He said one mechanism that was highlighted is tax fixing agreements. He explained instead of using a percentage-based sliding scale, which can be complex, developers and municipalities could agree on a fixed dollar amount per unit. He gave an example saying if taxes are projected to be $5,000 per unit, a deal could be made to fix them at $2,000 for 20 years, effectively providing a $3,000 abatement per unit annually. Mr. Poland expressed a growing preference for these simpler, more digestible agreements.

Ms. Niedzielski-Eichner thanked Mr. Poland and expressed appreciation for the depth of information, particularly regarding tax incentives for preserving naturally occurring affordable housing in Norwalk. She noted that such strategies could also support current owners in maintaining their properties. She then opened the floor for committee questions.

Ms. Eaddy asked whether the 12–18% return on investment (ROI) threshold varied by region. Mr. Poland responded that while it's a general industry standard nationwide, some developers are now demanding 15–20% due to market volatility. He added his firm still targets 12–15%. He emphasized that investors seek the best returns, often finding them more easily in stronger markets like Atlanta or Dallas compared to Connecticut cities.

Ms. Eaddy then asked whether amenities are always included in mixed-use developments, noting that they raise costs. Mr. Poland confirmed they are typically included because they are now considered essential by both developers and municipalities. He stated consumers expect them, and developments without amenities tend to perform poorly long-term.

Ms. Eaddy inquired about the ROI comparison between single-family developments and larger multifamily projects. Mr. Poland confirmed that single-family detached homes generally yield higher returns, though they're difficult to make affordable. He noted conversions of large single-family homes into duplexes or triplexes performed exceptionally well in their proforma analyses. He added these conversions benefit from existing infrastructure—foundation, exterior, and land—making them financially viable.

Ms Niedzielski-Eichner followed up on the idea of single-family conversions, expressing interest in exploring whether Norwalk has suitable properties and suggesting Mr. Poland promote the concept in nearby towns like Darien, Weston, Wilton, and New Canaan. She acknowledged that while such projects only produce a few units, they could be valuable in areas that prioritize preserving neighborhood character. She emphasized that the city's urban core cannot absorb all housing growth and appreciated the flexibility outlined in the presentation regarding 1265b guidelines. She noted that these guidelines are meant to help shape development incentives without being overly rigid, allowing for case-specific negotiations.

Ms. Niedzielski-Eichner asked whether other communities have tried requiring 15–20% affordable units, and how that has impacted feasibility. Mr. Poland responded that increasing percentages make projects less financially feasible. He noted that the 8-30g statute, which mandates 30% affordability (15% at 60% AMI), has likely underperformed because the requirements are too high. He suggested that if 8-30g had required 20%—split between 15% at 80% AMI and 5% at 60% AMI—it would have yielded more developments.

Mr. Poland advised that communities aiming to maintain or exceed the 10% threshold under 8-30g should adopt a 12% inclusionary zoning policy, which offers a buffer to maintain momentum. While 12–15% affordability is generally feasible, especially in strong markets like Norwalk, incentives such as tax abatements become necessary as the target percentage increases. He stated at 18–20%, meaningful public investment is required to make projects work, such as long-term, full abatements on the affordable portion.

Ms. Niedzielski-Eichner acknowledged that was helpful and raised a broader question about alternatives. Specifically, how can Norwalk produce more units at 60% AMI, which represents roughly 30% of the city's population, if zoning-based incentives alone are insufficient? Mr. Poland responded that zoning cannot solve housing needs below 60% AMI and certainly not below 50% or 30%, which corresponds to low-income and poverty thresholds. He emphasized that while the planning community often celebrates tools like 8-30g, they primarily serve the middle class, not the most vulnerable populations.

Mr. Poland alluded to the Pew Research Center, stating. The middle class is defined as incomes between $55,000 and $170,000, which includes 60% AMI in many markets. Therefore, zoning debates over affordable housing often center on supporting the middle class, not those in deeper

need. He concluded that other tools, such as tax abatements and housing finance strategies via agencies like CHFA, are needed to reach those at or below 50% AMI.

Mr. Sead had questions about how the possibility/necessity of revenue gains to offset the burden of a population increase. Mr. Poland In the context of the question, used the One Park development in West Hartford as an example. Using the information on a presentation slide he outlined the revenue: the tax abatement by percentage, the residential property taxes generated by the development, and the personal property taxes—primarily from motor vehicles—along with the total tax amount.

Mr. Poland compared this against a fiscal impact analysis, which assessed the expenditures required for general government services as well as the Board of Education costs related to potential new school enrollments resulting from the development.

He stated the “net fiscal positive” figure reflects the balance between new tax revenues and associated expenditures. He explained while the abatement initially limits incoming revenue, starting in the designated year, the project begins generating new revenue that exceeds both the current tax base and the additional costs incurred due to the development.

Ms. Niedzielski-Eichner allowed questions from Ms. Tabachnek.

Ms. Tabachnek stated her question concerns the 12–15% ROI figure and whether it applies or not when working with nonprofit developers or developers utilizing LIHTC credits in conjunction with workforce housing regulations.

Mr. Poland stated deals are structured very differently. He said in the case of nonprofits and LIHTC-supported developments, the traditional concept of return on investment doesn’t apply. He noted it shifts to a development service fee model, where the developer earns a fee-for-service annually throughout the project’s operation. He explained this fee functions as their income beyond the basic project costs.

Ms. Dunn raised the issue of investing in neighborhoods with large numbers of non-compliant rental units, noting that landlords are charging high rents for illegal rooms. They asked whether there are examples from other communities that have succeeded in bringing such landlords into compliance or revitalizing similar neighborhoods while maintaining affordability.

Mr. Poland acknowledged the complexity of the issue and offered to return in the fall to present a more detailed session on neighborhood repositioning strategies. He referenced Oswego, New York’s Renaissance Association as a strong example of engaging landlords to invest in property improvements. However, he noted that he could not currently identify a community that has

succeeded in both improving housing and maintaining affordability, but offered to research further.

Ms. Dunn mentioned Detroit as a potential example and asked about the outcomes. Mr. Poland replied that while land values in Detroit allow for more flexibility, Connecticut lacks the same volume of abandoned or vacant properties, making such strategies more difficult to implement. Mr. Portland emphasized that Connecticut does face issues with deferred maintenance and landlords profiting from substandard conditions, agreeing that incentives tied to affordability restrictions could be worth exploring.

The discussion shifted to whether improvements in such neighborhoods might raise property values and surrounding tax revenues without displacing current residents. Several members expressed interest in designing programs that would offer landlords maintenance support in exchange for affordability commitments. The idea of a "rising tide lifts all boats" approach was explored, along with concerns about gentrification and displacement.

Mr. Poland reiterated the need to balance neighborhood improvement with the risk of displacing lower-income residents and confirmed he would include severely blighted and abandoned properties in his future presentation on neighborhood investment strategies.

Ms. Young requested that, upon return, the discussion include severely blighted and abandoned properties, asking what actions the city could take to address these issues. Mr. Poland responded that he would be glad to return to speak on neighborhood investment, noting they have much to contribute on the topic. This would include addressing abandonment, deferred maintenance, and a broad range of related concerns to provide actionable ideas.

Mr. Kleppin noted that the city uses SMI AMI (State Median Income Area Median Income) for its inclusionary zoning, which results in lower rents for qualifying residents. He offered to provide a list of properties utilizing enterprise zone incentives, although he noted few recent developments have used them.

Mr. Kleppin responded to earlier concerns regarding the fiscal impact of new developments, sharing that the city is currently analyzing their impacts on infrastructure and services. He used the Waypoint building as an example. He stated it generates $4 million in tax revenue annually while only incurring about $750,000 in educational costs for resident schoolchildren. A full report is expected later in the summer.

Ms. Niedzielski-Eichner commented that having Norwalk-specific data on abatement usage and development costs is invaluable and highlighted the opportunity to craft new, more targeted incentives. She noted a significant gap in the availability of family-sized units and suggested that

specific abatements could be used to encourage the development of two-, three-, and four-bedroom units.

A final question was raised by Ms. Eaddy regarding the feasibility of converting commercial buildings into housing. Mr. Poland responded that such conversions can be financially viable if the building layout and condition are suitable, but noted that not all commercial properties are adaptable.

Ms. Niedzielski-Eichner informed the group of the recent passage of a major housing bill (HB50002) by the Connecticut General Assembly, now under Senate consideration. She encouraged members to review the legislation and submit comments, highlighting its importance as a statewide initiative addressing fair housing standards and burdens.
Mr. Poland was thanked for his presentation and his willingness to return for future discussion. A motion to adjourn was made and approved.

VII. DISCUSSION

There was no further discussion at this time.

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VIII ADJOURNMENT

**** MS. DUNN MOVED TO ADJOURN THE METTING.**

**** THE MOTION PASSED UNANIMOUSLY.**

The meeting was adjourned at 7:30 p.m.

Respectfully submitted
China Mayhew
Telesco Secretarial Services.