

The Incentive Housing Zone Program

How It Works

The State of Connecticut's Incentive Housing Zone (IHZ) program, officially known as the Housing for Economic Growth (HEG) Program, provides incentives to municipalities that voluntarily choose to expand their array of mixed-income housing options. It is administered by the Department of Housing (DOH).

The program has three phases:

1. Technical Assistance & Pre-Development Grants

Municipalities may receive grants to help with a wide variety of functions to set the stage for new zoning and housing development:

- **Phase I Pre-Development**

Up to \$20,000: These grants can help a municipality determine what housing options are needed and whether suitable locations can be found. Includes legal/planning expenses for drafting/ adoption of Incentive Housing Zone (IHZ) regulations or design standards, feasibility studies for septic or other infrastructure, other minor engineering studies.

- **Phase II Pre-Development**

Up to \$50,000, for costs specific to a mixed-income housing project. Includes costs for land purchase options, planning/design costs, certain preliminary engineering costs, appraisals, legal and financial expenses, costs of permits and approvals, and other preliminary project costs as approved by the Commissioner of DOH. These funds may be passed through to a housing developer.

Use of these pre-development funds does not obligate the municipality to establish an IHZ. They are for the purpose of determining if a zone is feasible, and if so, how to establish it successfully.

DOH is accepting applications for technical assistance and pre-development funding on a rolling basis starting August 1, 2014.

Incentive Housing Zone (IHZ)

To qualify for further incentives (zone adoption and building permit incentives, #2 and #3 below), a municipality must enact an Incentive Housing Zone and have it approved by DOH, which meets these criteria:

- Create Incentive Housing Zones (IHZs) with minimum densities of 6 single-family, 10 duplex or townhouse, or 20 multifamily units per acre.
- Ensure that at least 20% of the units in the zone are affordable to residents earning 80% of the area median income or less.

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The IHZ program fundamentally changes housing creation.

Rather than solely reacting to development proposals made by builders, towns use the IHZ program to proactively choose higher density areas suitable for mixed-income and mixed-use development.

Towns get significant control over the location, amount, type and design of the housing.

- In a responsible growth location – near a town center, transportation facilities, or existing or planned infrastructure.
- Municipalities may create as many IHZs as they want, but no single zone can be larger than 10% of the municipality's land area and all zones can total no more than 25% of the municipality's land area.

There are two potential exceptions to the density requirements:

- DOH may waive density requirements for land "owned or controlled" by a municipality, land trust, housing trust fund, or non-profit housing agency, and 100% of the housing units will be affordable at 80% of area median income or less.
- For towns with population under 5,000, DOH may approve density of not less than 4 single family, 6 duplex or townhouse, or 10 multifamily units per acre.

2. Zone Adoption Incentives

When DOH approves an Incentive Housing Zone (IHZ) that is enacted by a municipality, it has the statutory authority – based on available funds – to pay the municipality up to \$50,000 for creating the zone. Currently, DOH is granting \$20,000 lump sum payments to towns, regardless of the potential number of housing units.

3. Building Permit Incentives

When housing is actually built within an Incentive Housing Zone, the municipality will receive payment dependent upon how many units are built. By statute, DOH has the authority – based on available funds – to issue up to \$2,000 per unit of multifamily housing or up to \$5,000 per unit of single family housing. Currently, a bracketed system is being used that offers towns a total payment between \$15,000 and \$50,000:

10 to 120 units	– \$15,000
121 to 150 units	– \$15,125 to \$18,750 (\$125/unit)
151 to 250 units	– \$20,385 to \$33,750 (\$135/unit)
251 to 333 units	– \$37,650 to \$49,950 (\$150/unit)
334+ units	– \$50,000

This formula does not distinguish between multifamily or single-family units. Payments are for both market-rate and affordable units. See DOH guidelines for more detail.

Municipalities may use Zone Adoption or Building Permit Incentives for any purpose.

For more information on how your municipality might be assisted by the Incentive Housing Zone program, contact:

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