Connecticut’s Ignored Homes: The Case for Producing and Preserving Small Multifamily Housing

by Sean Ghio
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Connecticut is now at the beginning of a long overdue conversation on the role land use zoning rules play in creating and maintaining Connecticut's deep economic and racial segregation. A prohibition on residences other than single-family homes has been a tool of exclusion employed in many Connecticut communities over the last century. While we have this necessary debate about how Connecticut can deliver the types of new homes that our residents need and want, we also should pay more attention to the abundance of less expensive, existing small multifamily homes that shelter so many of our lower and moderate income households. These homes will continue to be a critical supply of lower-cost housing in Connecticut for many years. Policymakers should focus attention on how to ensure these homes are safe and affordable options for years into the future.

When many of us think of rental housing, we imagine large apartment complexes or high-rises in city centers. You can find buildings that fit that description in a few places in Connecticut – the downtowns of Hartford and Stamford, for example. But in every Connecticut community, from city to suburb to village center, there are renters living in an apartment in a triple-decker or an accessory apartment over a garage, or a small apartment over a store in a commercial center. There are 336,741 housing units in small multifamily buildings with 2–9 units in Connecticut. This small multifamily housing supply, also referred to as “missing middle,” is the predominate form of multifamily housing in many towns. Incredibly, in 151 of 169 municipalities, small multifamily or “SMF” makes up more than half the town’s multifamily housing supply. In 20 of these municipalities, small multifamily buildings are the only multifamily housing in town.
THE GOALS FOR NEW POLICIES
WHAT CAN WE HOPE TO ACCOMPLISH WITH A SMF-FOCUSED HOUSING POLICY AGENDA?

Many of the policy recommendations to target small multifamily housing are not out of the realm of possibility. Providing residents and owners of these units with the assistance they need will require new resources. The time to act is now, as this particular housing stock is older and has largely been disinvested. New policies and strategies can be grouped into five categories:

1. Invest in Expertise
2. Expand on Successes
3. Strengthen Existing Partners
4. Make Small Multifamily Buildings a Place to Build Healthy, Strong Families
5. Consider Some Big Ideas, Too

This paper and a subsequent paper will dig deeper into the most promising of these policies and strategies. It is important to think of potential solutions as a collection of tools. As is the case in housing policy in general, there is not a ‘silver bullet’ to improving and preserving existing SMF. Most of the possibilities are not necessarily that revolutionary, but the financial and physical circumstances of small multifamily buildings in different settings across the state require a range of tools to conserve them.

POLICY CASE STUDIES

States across the country have successfully implemented reforms that encourage the construction and preservation of small multifamily housing. Below are a few examples:

Oregon

In 2019, Oregon Gov. Kate Brown signed into law a bill that ended residential bans on duplexes in towns of over 10,000 residents, as well as ending bans on 2- to 4-family housing in towns of over 25,000 residents. The legislation, House Bill 2001, passed both houses of the Oregon legislature with bipartisan support.

Nebraska

In 2020, Nebraska Gov. Pete Ricketts signed into law a bill that encourages towns to adopt more missing middle-friendly zoning policies. The bill requires all towns to review their zoning laws and adopt an affordable housing plan by 2025. The bill passed both houses of the Nebraska legislature with bipartisan support.
If you grew up in Connecticut, you likely know these buildings well even if you do not think of them often. You or your parents may have been raised in one, or you may remember walking up the rickety back staircase to visit your grandparent’s third floor apartment. Or maybe you, like some three hundred thousand Connecticut families, live in one right now as a renter or as the owner.

For this discussion, I consider small multifamily housing (SMF) to be structures containing apartment homes with 2–9 housing units. Some studies consider any property with fewer than 20 or even 50 units as small, but given the existing housing stock in Connecticut, the largely suburban development patterns of the state, and the often vociferous opposition to multifamily development in much of suburban Connecticut, it is more useful to talk about a much narrower set of properties. In addition, these smaller buildings often do not have much in common with some of their larger counterparts, from construction methods to financing to type of ownership. Therefore, they have issues that are unique from large scale residential developments.

For much of Connecticut's history, multifamily housing was synonymous with SMF. Land values and construction methods made large apartment buildings too expensive and impractical in most of Connecticut's towns. Many of Connecticut's clusters of small multifamily housing grew out of the rapid industrialization along our rivers in the 19th century. What remains today are some of our most treasured built environments.
WHAT IS SMALL MULTIFAMILY HOUSING? (CONTINUED)

WHERE CAN YOU FIND SMF IN CONNECTICUT?
Small multifamily housing is the predominant form of multifamily housing in most of Connecticut’s towns and cities. Of Connecticut’s 169 towns and cities, 151 (89.3 percent) have half or more of their multifamily housing stock in SMF. In 20 municipalities, SMF buildings comprise 100 percent of the town’s multifamily housing. These duplexes, triplexes, and small apartment building form the backbone of Connecticut’s rental housing.

<table>
<thead>
<tr>
<th>% Total Multifamily Housing in 2–9 Unit Buildings</th>
<th># of Connecticut Municipalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>20</td>
</tr>
<tr>
<td>90-99%</td>
<td>12</td>
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<tr>
<td>80-89%</td>
<td>33</td>
</tr>
<tr>
<td>70-79%</td>
<td>34</td>
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<tr>
<td>60-69%</td>
<td>32</td>
</tr>
<tr>
<td>50-59%</td>
<td>20</td>
</tr>
<tr>
<td>&lt;50%</td>
<td>18</td>
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</tbody>
</table>

SMF IN CONNECTICUT, MAPPED

Households Living in 2 - 19 Unit Buildings
- 0 - 50
- 51 - 300
- 301 - 600
- 601 - 2403
WHAT IS SMALL MULTIFAMILY HOUSING? (CONTINUED)

THE MANY FORMS OF SMF IN CONNECTICUT

Small multifamily is a versatile, adaptable housing type. It includes the duplexes that dot former industrial towns like Putnam and Winchester, the ADU conversion in Branford, and the omnipresent three- and six-family homes that have come to define Hartford’s housing stock. All of these buildings, however, provide some of the most affordable rental options within their municipality or region.

Below are just a few examples of the forms SMF housing can take in Connecticut:

DUPLEX IN WEST HARTFORD

ROWHOUSES IN GLASTONBURY

SIX-FAMILY HOME IN HARTFORD

CONVERTED DUPLEX IN PORTLAND
You can find many examples of small multifamily housing in places like Collinsville in Canton, Windsor Center, Georgetown in Redding, and Taftville in Norwich. These mill villages and town centers continue to serve as walkable and livable environments for Connecticut residents.

Growth in many town centers during the first half of the 20th century expanded the supply of SMF. Many of these new neighborhoods remained walkable with their proximity to commercial and business districts, even as the automobile became ubiquitous and allowed people to travel further and more readily for goods and jobs.

Housing policy conversations in Connecticut often ignore this modest yet significant building stock. One reason this is the case may be that very few apartment homes in smaller buildings are built anymore. Of the smallest multifamily buildings (2–4 units), only 4.9% of the existing supply was built in the last 20 years. Many towns’ zoning ordinances no longer allow for the construction of small apartment homes.

Even when towns do permit SMF residences, a lengthy and expensive special permit approval process is often required. A recent comprehensive analysis of every zoning ordinance in Connecticut by Desegregate CT found that three-family homes can only be built as of right on 2.3% of Connecticut’s land. In eight towns single-family detached housing is the only permitted residential use.
WHAT IS SMALL MULTIFAMILY HOUSING? (CONTINUED)

Small multifamily buildings are versatile. This housing stock can serve both the owner and renter segments of the housing market at different times in the life of the building. This can be true for some single-family residential buildings, but it is more often a characteristic of small multifamily buildings. A single owner of a small multifamily family building can reside in the building as the owner for a time and later move out and rent all the units.

In 2019, an analysis by Enterprise Community Partners found that apartment homes in smaller buildings typically provide more space at a lower cost per square foot. This is a critical supply of rental housing for lower income families with larger households. Apartments in buildings with 2 – 9 units were 30% - 40% cheaper on a per square foot basis than apartments in buildings with 50 or more units. These less expensive rents reflect the market position of older apartments in small buildings. These buildings often lack modern amenities and are often located in neighborhoods the market deems less desirable.

The median sales price for 2- 9 unit buildings is significantly lower than the median sales price of single-family homes in Connecticut. For 2020, the median sales price for a 2-9 unit building was $230,000 as compared to $290,000 for a single-family home. This likely reflects the fact that these properties are often less desirable due to age and location. The per unit price for these buildings therefore is substantially lower than that of a single-family home. Even if we assume the median priced SMF building in Connecticut was a duplex, the per unit cost is a much more affordable $115,000.
Due to a lack of new construction brought about by market preferences and restrictive zoning laws, SMF buildings in Connecticut are, on average, older than the median age of single-family homes in the state. Many SMF buildings are in poor condition. Affordable housing funding sources more often fund the construction or rehab of larger apartment buildings, or are simply too complex or financially not feasible for owners of SMF properties. Meanwhile, public programs that do support SMF are typically smaller in scale and focused on rehabilitation.

A Small Multifamily Loan Pool at Connecticut Housing Finance Authority (CHFA) has $15 million available through a network of Community Development Financial Institutions (CDFIs) to invest in the rehabilitation of vacant or blighted investor owned rental properties. With a total rental supply of more than 300,000 rental homes in buildings with 2–9 units, $15 million will not go very far.

Federal Community Development Block Grants (CDBG) are used by some Connecticut communities to make improvements to existing SMF, but again the available resources are too small to have a broad impact. For example, the Town of Fairfield has had a successful program for many years in which the Town uses CDBG funds to finance improvements to small, non-owner occupied multifamily developments of 2-4 units in exchange for a deed restriction covering 51% of the units to keep rents affordable. The length of the deed restriction is based on the amount of the Town’s investment. The program is a success, but with limited resources it has only been able to finance approximately 75 units.”
SMF: ESSENTIAL, BUT FORGOTTEN

SMALL MULTIFAMILY REHAB CASE STUDY: WATERBURY, CT

Because SMF housing is disproportionately older, it often requires rehab work to retain housing quality. A modest investment in SMF rehab can help preserve this housing for future generations. Below is an example of a 2-family house that was renovated by the Neighborhood Housing Services of Waterbury in 2020. **When maintained, these older, affordable homes have a lot of life left in them!**

933 COOKE STREET: BEFORE RENOVATION

![Image of 933 Cooke Street before renovation]

933 COOKE STREET: AFTER RENOVATION

![Image of 933 Cooke Street after renovation]
CREATING AN ENVIRONMENT FOR BUILDING SMF

THE CREATION OF NEW SMF HOUSING IS CURRENTLY ILLEGAL IN MOST OF CONNECTICUT’S NEIGHBORHOODS. IT’S TIME TO CHANGE THAT.

A firm antigrowth/antidevelopment culture in many Connecticut towns coupled with a prohibition in zoning of naturally lower cost housing options such as small lot modest single-family homes, duplexes, or apartment buildings, means that Connecticut’s existing supply of small multifamily buildings serve as the de facto housing for lower income families. For example, the Open Communities Alliance, a Connecticut based nonprofit which promotes access to opportunity for all people through education, advocacy and research, documented the movement away from less expensive, smaller lots in the New Haven suburb of Woodbridge. Required lot sizes for single-family homes grew from an already oversized minimum lot of ½ acre in 1932 to 2 acres in half the town by 2001.

In our smaller towns, especially in Litchfield and Windham counties, SMF buildings are the backbone of the rental market. Stagnant population change in these communities contributes to be sluggish to moribund residential construction. Apartments in small multifamily buildings can be some of the only rentals in the market. In Litchfield County, rental homes in 2 – 4 unit buildings represent 77.5% of all rental units. In Windham County, small multifamily buildings account for 82.8% of rental supply.

Many Connecticut towns may be surprised to discover just how much of their housing stock is made up of smaller multifamily buildings. Rental homes in small multifamily buildings are found in 168 of 169 Connecticut municipalities. The small town of Sherman in Fairfield County is the only town in Connecticut without a documented supply of small multifamily housing.

NIMBYISM AT SCALE
An analysis by the advocacy group Desegregate CT shows that just 2% of Connecticut’s land is zoned to allow new homes of up to four units.

Restrictive zoning codes have had a negative impact on Connecticut’s affordable housing stock. Of the more than 218,000 duplexes, triplexes and fourplexes in Connecticut, 38.6 percent were built before 1940, while just 4.9 percent were built in the last 20 years.
SMF, HEALTH, AND HOUSING QUALITY

OLDER HOMES FREQUENTLY CONTAIN HEALTH RISKS, SUCH AS LEAD PAINT. REHAB FUNDING IS NEEDED TO ENSURE SAFE CONDITIONS.

It is vital to concentrate our attention on policies that directly impact existing small multifamily housing in Connecticut because preserving and improving these homes can bring tangible benefits to so many people’s lives. Twenty-six percent of renter households (117,000 households) spend more than half of their income on housing costs. Nearly all (95%) have very low household incomes.\(^4\)

Improving housing quality, preserving, or creating lower cost housing options in communities that do not have much housing diversity now, and opening opportunities for homeownership and small scale investing to communities of color that have been denied access in the past.

Improving the quality of more SMF buildings will have measurable benefits to the health of lower-income households. Asthma, falling hazards, and lead poisoning are all more common in Connecticut’s older housing stock. Lead poisoning risk, in particular, is greatest in much of Connecticut’s small multifamily housing due to the age and condition of much of this stock. Lead paint was banned after 1978.

Given the age and general conditions of much of the small multifamily housing in Connecticut, it is likely that focusing rehabilitation efforts on this housing would reduce the number of dwellings with unsafe lead conditions. Studies have shown that most lead poisoning cases in Connecticut are found in older multifamily housing which are more likely to be small multifamily buildings.\(^5\)

A study from the Connecticut Data Collaborative examining the connection between housing and health found a strong connection between both housing quality and housing stability measures and health outcomes. Neighborhoods with the most stable housing had better health measures than areas with the least stable housing on nearly all health measures included in the study.\(^6\)
SMF, EQUITY, AND WEALTH-BUILDING IN CONNECTICUT

In Connecticut, a disproportionate percentage of Black and Hispanic households live in small multifamily homes. There may be many reasons for this, such as the history of discriminatory lending practices that led to increased segregation and disinvestment in communities where a significant portion of SMF housing stock exists.

Renters living in SMF struggle more to make rent. Fifty-five percent of renters in 2 – 4 unit buildings are paying more than 30% of their income on housing costs – higher than the 49 percent of all renters that are housing cost burdened. This is likely due to the fact that these rental units are the most affordable to the lowest wage earner.

Additionally, small multifamily housing has a very different ownership profile than large apartment buildings. This is an important distinction as we explore future policy solutions. Nationally 83% of 2 – 4 unit rental buildings are owned by an individual investor, trustee, or tenant in common. Twenty-four percent of housing units in small multifamily buildings are owner-occupied. Some of these units are in small condominiums, but about 52,000 2 – 4 unit buildings are owner-occupied. These structures are much more often a traditional owner occupied/renter configuration.

Owner-occupied landlords of small multifamily units have lower household incomes than single-family homeowners and are more likely to be people of color. For many Connecticut residents of color, renting part of a small multifamily home is a way to become small property investors and build up the equity that people of color in the United States have historically been denied.

Two prominent practices that kept people of color from acquiring equity through homeownership are the racist policy of “redlining” that prevented people of color from obtaining home loans, and steering, the illegal practice of channeling home seekers to particular areas to maintain the racial homogeneity of an area. The age, location, and price point of much of the small multifamily housing supply in Connecticut provide a more affordable means for lower income homebuyers to build home equity. The revenue stream from rented units in the building can often offset a significant percentage of the building’s mortgage payment.

The Partnership for Strong Communities recently released a report on equitable wealth-building through homeownership in communities of color. Click here to read the report.
POLICY POSSIBILITIES

FIVE CHANGES CONNECTICUT CAN MAKE TO FACILITATE BUILDING MORE VERSATILE, AFFORDABLE SMF HOMES

Policy Idea #1: Invest in Expertise

Small multifamily buildings are so prevalent and play such a critical role in housing our lower income residents that the state should consider dedicating housing expertise and staffing to this part of the rental market. The problems and solutions for these buildings are different enough from policies for single family homes and larger multifamily buildings to warrant this investment. We should look to consolidate and coordinate existing programs that target the unique realities of Connecticut’s existing SMF supply.

Policy Idea #2: Expand on Successes

We first should look to expand or refine existing successful programs and resources that target SMF buildings. One great example is Connecticut Housing Finance Authority’s award winning $15 million small multifamily loan pool that targets vacant or blighted small multifamily buildings for rehabilitation. The loan pool requires some of the units be set aside as affordable dependent upon the building’s location. With the lack of other financing programs aimed at this housing stock, the program should consider expanding its availability to all small multifamily properties.

EXPANDING ON SUCCESSES:
Facilitating SMF Production Through State Programs

The State’s Historic Tax Credit Program provides much needed capital to owners of small multifamily properties. It can be used to offset costly preservation and rehabilitation of qualifying SMF properties or SMF properties. The program is not well marketed to owners of SMF properties, and the processes could be intimidating to less sophisticated owners. Allocating a portion of the credits specifically to SMF might help protect the credits and increase the utilization for smaller projects.

Want to know more about CT programs that help finance the production and preservation of SMF properties? Visit our Housing Finance Programs Database:

https://www.pschousing.org/connecticut-housing-finance-program-database
Policy Possibilities (continued)

Policy Idea #3: Strengthen Existing Partners

We should strengthen the organizations that are already doing this work. A network of Community Development Finance Institutions (CDFI), such as LISC, Hartford Community Loan Fund, Capital for Change, and Housing Development Fund, support and finance the owners of Connecticut's small multifamily housing. The Connecticut Housing Finance Authority provides low cost investment dollars to the CDFIs which are used to leverage additional dollars of other sources including private investment dollars.

While CDFIs earn revenue from lending, there is frequently need for additional resources to increase capacity. We must explore ways to strengthen CDFIs, so they can serve a larger part of the SMF supply and continue to provide credit to projects that other lending institutions may not be capable of providing.

Policy Idea #4: Make SMF a Place to Build Healthy Strong Families

We must find new ways to incentivize SMF homeownership as a way to stabilize neighborhoods and build local wealth. SMF buildings need to be safe places to raise a family, too. We can look to programs like Connecticut Children’s Building for Health Initiative for great ideas on how to do it.²¹

This program teamed up with local Hartford partners such as LISC, Eversource, United Illuminating, and Southside Institutions Neighborhood Alliance to develop a cross-sector, cross-referral initiative to find unhealthy homes and remediate the health hazards. The initiative uses a “no wrong door” approach so each program can work with families to resolve their initial concerns and refer them to other programs for additional supports.

Policy Idea #5: Consider Some Bigger Ideas

There are some bigger ideas to consider, too. Should Connecticut focus some of its allocation of federal Low Income Tax Credits toward developments constructing or rehabilitating small multifamily buildings? Are there ways to create SMF portfolios that can work in Connecticut, such as a Social Real Estate Investment Trust (S-REIT)?²² We will explore some of these policy options in detail in subsequent articles.
WHAT’S NEXT?
MOVING FROM POLICY CONSIDERATIONS TO LEGISLATIVE ACTION

Small multifamily buildings, and the families that call them home, deserve greater attention from Connecticut policymakers. Some of the outcomes we can expect from improving this “missing middle” housing include increasing the stability of neighborhoods, improving health outcomes for residents, protect an existing supply of lower cost housing in communities across the state, and supporting existing and new small landlords.

A FRAMEWORK FOR CHANGE:
Here are a few of the questions we could explore next as we craft policies tailored to small multifamily housing.

1. What are best practices on how to preserve and improve the existing small multifamily housing supply?
2. Can small multifamily buildings be an effective means to build wealth through homeownership for people of color? In what ways can we incentivize the participation of people of color to ensure they do not get left behind?
3. SMF housing in Connecticut is predominately owned by “mom and pop” investors. Are there partnership models that would better foster the creation and rehabilitation of SMF?
4. What existing models are there for creating SMF portfolios to achieve economies of scale?
5. How can we equitably market and utilize financing opportunities for small investors or low- to moderate-income owner-occupants?
6. How to maintain affordability of a unit after rehabilitation? What methods are being used or are units turning over?
NOTES

About the Author:

Sean Ghio is the Policy Director for the Partnership for Strong Communities. He leads the Partnership's statewide advocacy efforts on affordable housing and plays a public, leadership role for the Partnership. Sean provides overall management for the HOMEConnecticut Campaign which aims to increase the stock of affordable housing in Connecticut. He is responsible for overseeing the Partnership's research, analysis and housing policy recommendations.

About the Partnership:

Partnership for Strong Communities is a statewide nonprofit policy and advocacy organization dedicated to ending homelessness, expanding affordable housing, and building strong communities in Connecticut.

Since its founding in 1998, the Partnership has successfully advocated for more than $2.3 billion in public funding in Connecticut which has helped build homes and created programs to end chronic homelessness. The Partnership engages in advocacy efforts, produces original research, and brings together the coalitions needed to create systemic change in Connecticut housing policy. Learn more about Partnership for Strong Communities at:

www.pschousing.org

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