

The Economic Impact of Connecticut's Housing Shortage

Dustin Nord | Director, CBIA Foundation



Introduction

The housing shortage in Connecticut represents not just a social challenge but a significant economic impediment to the state's growth and prosperity. This analysis attempts to quantify Connecticut's housing underproduction and examines its broader effects on labor markets, business competitiveness, and fiscal health.

The economic costs of Connecticut's housing shortage manifest across multiple dimensions: reduced workforce availability as potential employees are priced out of job centers; increased business operating costs; suppressed consumer spending as housing costs consume larger portions of household budgets; and diminished economic mobility that threatens future growth. These economic inefficiencies compound over time, creating impediments to Connecticut's competitiveness in the regional and national economy.

This research explores these economic impacts and analyzes how Connecticut's long-term underproduction of housing constrains its economic potential. The findings inform policy recommendations designed to align housing production with economic development goals, enhance workforce availability, and create sustainable paths for economic growth across Connecticut's diverse regions.

Housing Construction in Connecticut

Historical Trajectory and Production Patterns

Connecticut's housing construction history reveals a pattern of chronic underproduction spanning decades, with particularly concerning trends emerging since the Great Recession. Between 1998 and 2007, Connecticut permitted an average of 10,204 housing units annually, translating to approximately 2 to 2.5 units per 10,000 residents per year.¹² While this production rate is substantial by Connecticut's historical standards, it represented about one-third of the national housing construction rate during this same period. At the national construction peak in December 2005, the United States was permitting 7.29 units per 10,000 people³, while Connecticut lagged significantly behind at only 2.73 units per 10,000 people. This pre-recession disparity highlights Connecticut's constraints on housing production that predated the financial crisis.

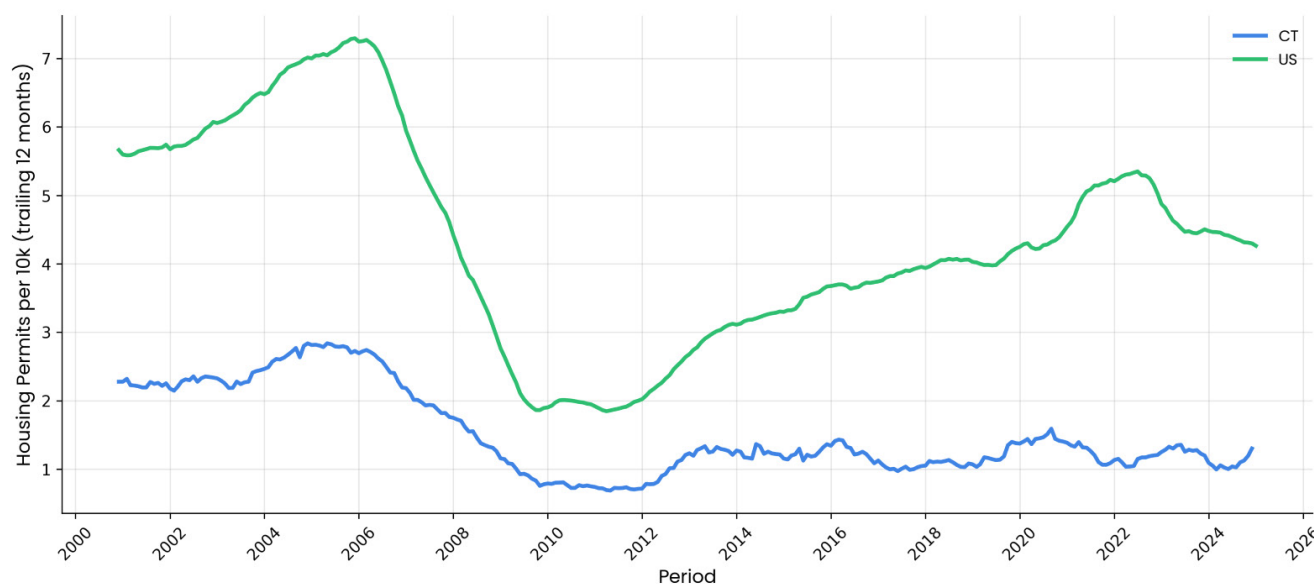
The 2008 mortgage crisis severely weakened Connecticut's already underperforming housing construction sector. New housing permits plummeted to 3,071 units in 2011, representing a decline of nearly 70% from pre-crisis averages. The recovery that followed has been slow compared to national trends. Since the 2011 low, Connecticut has failed to exceed 1.59 units permitted per 10,000 residents in any month (12-month rolling average), with annual production

¹ U.S. Census Bureau. (2025). *Population and Housing Unit Estimates Tables*. Retrieved March 25, 2025, from <https://www.census.gov/programs-surveys/popest/data/tables.html>

² U.S. Census Bureau. (n.d.). *New Private Housing Units Authorized by Building Permits for Connecticut (CTBPPRIV)*. Federal Reserve Bank of St. Louis. Retrieved March 25, 2025, from <https://fred.stlouisfed.org/series/CTBPPRIV>

³ U.S. Census Bureau and U.S. Department of Housing and Urban Development. (n.d.). *New Privately-Owned Housing Units Authorized in Permit-Issuing Places: Total Units (PERMIT)*. Federal Reserve Bank of St. Louis. Retrieved March 25, 2025, from <https://fred.stlouisfed.org/series/PERMIT>

Housing Permits per 10K Population



Source: Census Bureau Housing Permits Survey, Census Population Estimates

Figure 1: CT vs US, Permits per 10K Population (12-month trailing total)

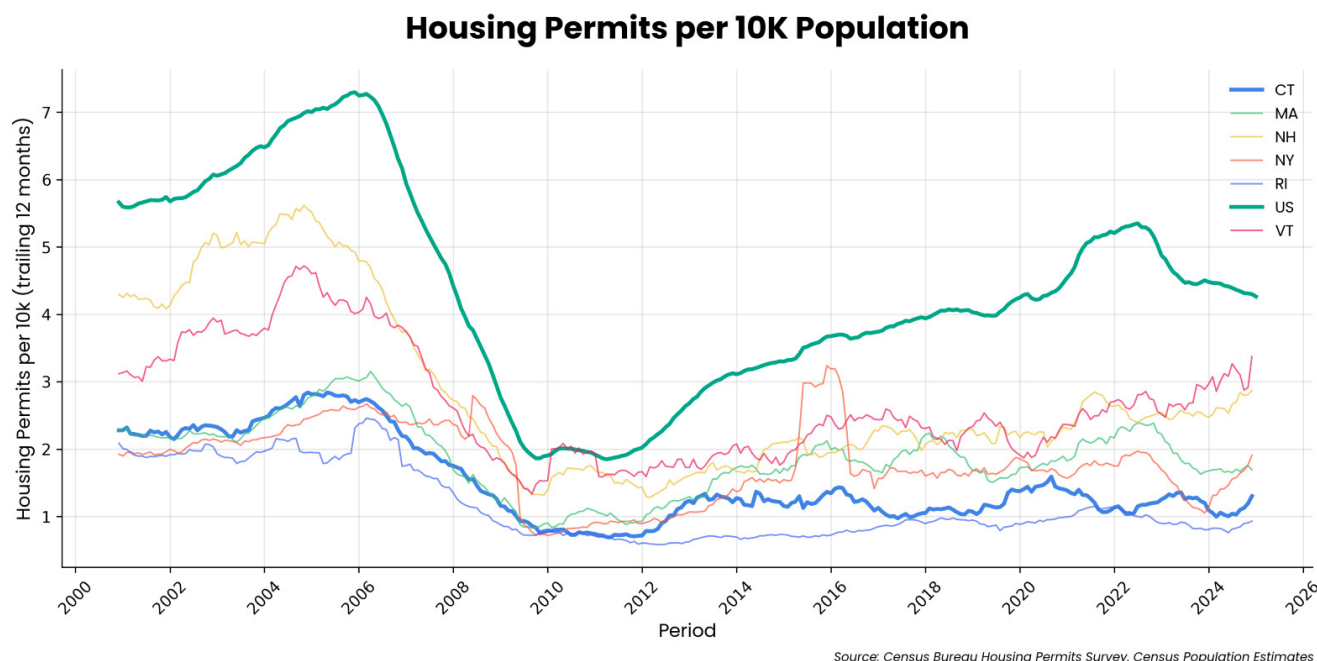
peaking at 6,499 units in 2024. While 2024 marked the strongest year for housing construction in the post-Great Financial Crisis (GFC) era, total permits were still 36% below the pre-2008 average—a significant deficit that continues to result in housing availability challenges across the state.

The national housing construction trajectory offers a stark contrast to Connecticut's recovery. While U.S. housing production also suffered considerably during the crisis—dropping from an average of 2.113 million units annually between 1998–2007 to a low of 698,400 in 2009—the subsequent recovery has been far more rapid. During subsequent decade, national permits rebounded to a peak of 2.085 million, nearly matching the pre-crisis average. On a monthly per capita basis, national housing production recovered from a low of 1.85 permits per 10,000 people in April 2011 to 5.35 by July 2022—a recovery rate outpacing Connecticut's modest gains.^{2,3}

Regional Comparison with Northeast

Connecticut's housing production challenges become more pronounced when viewed in regional context. While Northeast has demonstrated slower housing production relative to national averages over the past quarter-century, Connecticut has consistently underperformed even against its regional peers—with the sole exception of Rhode Island. This regional underperformance suggests that Connecticut's housing production constraints extend beyond the broader economic and demographic trends affecting the Northeast.

Massachusetts provides an instructive comparison case. Prior to the GFC, Massachusetts and Connecticut maintained roughly comparable housing production rates. However, beginning in 2013, the two state's decoupled, with Massachusetts accelerating housing production and maintaining this elevated



Source: Census Bureau Housing Permits Survey, Census Population Estimates

Figure 2: CT vs Northeast, Permits per 10K Population (12-month rolling total)

output over the subsequent decade.⁴ This sustained production gap indicates that policy choices and regulatory environments—rather than merely regional economic conditions—likely played a role in Connecticut’s continued housing underproduction.

Dual Factors: Demand Dynamics and Regulatory Constraints

Connecticut’s persistent housing underproduction stems from a combination of demand-side economic factors and supply-side regulatory constraints. The post-GFC period’s sluggish construction can

be partially attributed to dampened demand fundamentals. According to the Federal Housing Finance Agency’s All-Transactions House Price Index, Connecticut experienced a 20% decline in home prices between the Q1 2007 peak and Q1 2014, and did not recover to pre-crisis price levels until Q2 2021—a 14-year recovery period.⁵ By comparison, national home prices, which similarly peaked in Q1 2007 and declined 19% to their low in Q2 2012, had fully recovered by Q4 2016—a much briefer five-year recovery window.⁶

⁴ U.S. Census Bureau. (n.d.). *New Private Housing Units Authorized by Building Permits for Massachusetts (MABPPRIV)*. Federal Reserve Bank of St. Louis. Retrieved March 25, 2025, from <https://fred.stlouisfed.org/series/MABPPRIV>

⁵ U.S. Federal Housing Finance Agency. (n.d.). *All-Transactions House Price Index for Connecticut (CTSTHPI)*. Federal Reserve Bank of St. Louis. Retrieved March 25, 2025, from <https://fred.stlouisfed.org/series/CTSTHPI>

⁶ U.S. Federal Housing Finance Agency. (n.d.). *All-Transactions House Price Index for the United States (USSTHPI)*. Federal Reserve Bank of St. Louis. Retrieved March 25, 2025, from <https://fred.stlouisfed.org/series/USSTHPI>

Connecticut vs US Housing Prices

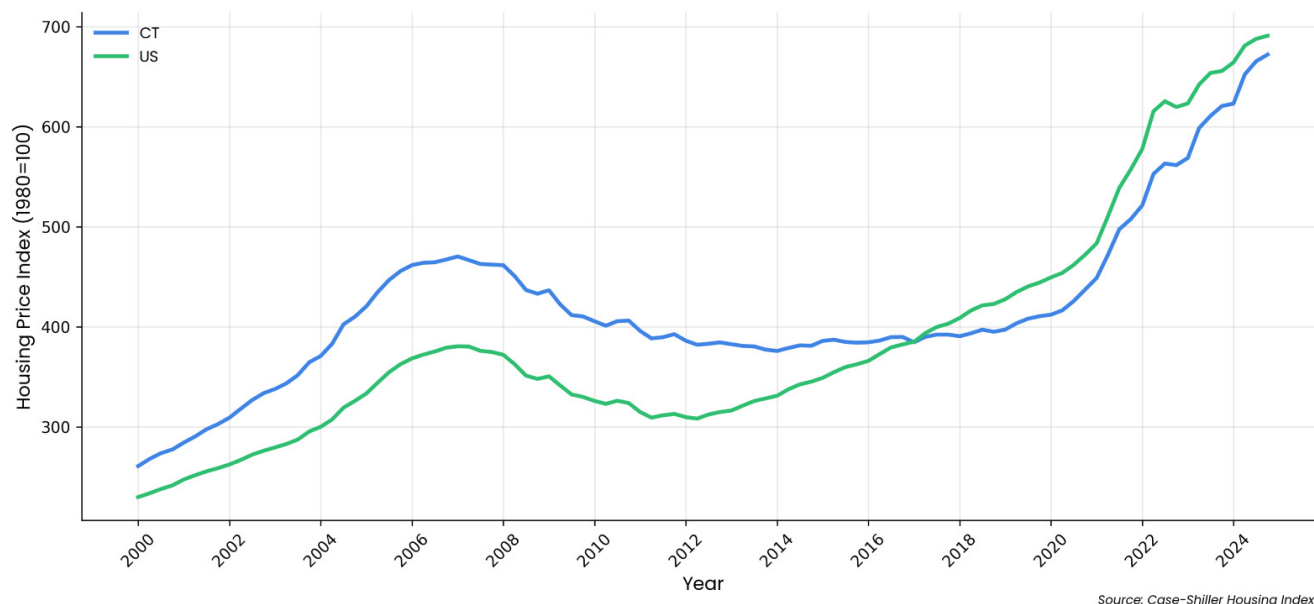


Figure 3: Home Price Index since 2000: US vs. CT

This prolonged price stagnation reflects Connecticut's broader economic challenges during this period, including slower job creation, demographic headwinds, and reduced competitiveness relative to neighboring states. The combination of stagnant prices and sluggish economic growth created unfavorable market conditions for new housing investment throughout much of the 2010s.

However, demand-side factors alone cannot explain Connecticut's consistent housing underproduction. Two critical periods cut against simple demand-based explanations: the pre-GFC era (1998–2007) and the post-pandemic period (2020–present). During both these intervals, Connecticut experienced economic growth and housing price appreciation that matched or exceeded national averages, yet housing production remained depressed relative to historical or national benchmarks.

A plausible cause of this disconnect is the impact of state and local regulation. The state's complex local zoning regulations, lengthy approval processes, and restricted developable land have created barriers to housing production even during periods of strong market demand. These regulatory barriers have proven especially restrictive for multifamily and affordable housing development, categories essential for accommodating Connecticut's diverse housing needs.

The post-pandemic housing market since 2020 has further exposed these structural constraints. Despite price increases of 63.7% over the past five years—outpacing the national average of 55.5%—Connecticut's housing production response has remained muted.

Measuring the Size of Connecticut's Housing Deficit

Quantifying the Challenge: Competing Methodologies

Accurately measuring Connecticut's housing deficit presents a challenge, with different approaches yielding substantially different estimates. A frequently cited assessment comes from the recent Fair Share Needs Assessment, commissioned by the state legislature to examine housing shortages across different communities. This study produced a widely-reported figure of 136,246 housing units short of demand. However, this headline number requires important context—it specifically quantifies the shortage for households earning at or below 30% of Area Median Income (AMI), representing Connecticut's most economically vulnerable residents making less than ~\$36,700 annually in 2024.^{7,8}

The National Low Income Housing Coalition offers a somewhat lower but still substantial estimate of ~95,000 units for this same income

demographic using 2023 Census data.⁹ It should be noted that households in this lowest income bracket have limited labor force participation (only 29% participate in the workforce), making their housing challenges distinct from broader workforce housing shortages. While addressing these severe affordability

gaps remains a moral imperative, a comprehensive housing policy must recognize that this represents just one segment of Connecticut's housing shortage.

The Fair Share Needs Assessment provides several alternative methodological approaches that paint a more comprehensive picture of Connecticut's housing challenges. These alternative methodologies produce total shortage estimates ranging from 110,702 to 358,887 units⁷—a significant variance that underscores the complexity of measuring housing deficits. Alternative Approach 2 is particularly revealing, as it disaggregates the housing shortage across the income spectrum, illustrating how Connecticut's persistent underbuilding has created affordability challenges across multiple income brackets.

Alternative Approach 1: 110,702 units statewide.

Considers current housing underproduction and a focus on housing needs for households earning less than 80% of area median income (AMI).

The Baseline Approach: 136,246 units statewide.

Focuses on housing needs for households earning less than 30% of AMI who are severely cost burdened (spending more than 50% of their income on housing costs).

Alternative Approach 2: 358,900 units statewide.

Considers current housing underproduction and identifies housing needs for all income levels.

Figure 4: Needs Estimates from Fair Share Assessment

⁷ ECONorthwest. (2025, January 29). *Connecticut Fair Share Housing Study—Draft Housing Needs Assessment Results*. Connecticut Office of Policy and Management. Retrieved from <https://www.huduser.gov/portal/datasets/il/il2024/2024summary.odn>

⁸ U.S. Department of Housing and Urban Development. (2024). *FY 2024 Income Limits Summary for Connecticut*. Retrieved March 25, 2025, from https://www.huduser.gov/portal/datasets/il/il2024/2024summary.odn?inputname=STILT*0999999999%2BConnecticut&selection_type=county&stname=Connecticut&statefp=09.00&year=2024

⁹ National Low Income Housing Coalition. (n.d.). *Connecticut*. Retrieved March 25, 2025, from <https://nlihc.org/housing-needs-by-state/connecticut>

Perhaps most surprising in this analysis is the finding that households earning 120% of AMI face the largest numerical shortage of appropriate housing units at their income level—241,964 units according to this methodology.

Connecticut’s housing shortage substantially impacts middle-income and moderate-income households who are fully employed but increasingly priced out of suitable housing options.

Methodological Considerations and Market Distortions

The various methodological approaches to quantifying housing deficits each have strengths and limitations. Alternative Approach 2 arguably offers the most comprehensive view by capturing the effects of housing shortages across income bands. When higher-income households cannot find appropriate housing at their income level, they inevitably occupy units that would otherwise be affordable to lower-income groups, resulting in “down-renting” that ultimately leaves the lowest-income households with fewer options.

This mismatch pattern is evident in Connecticut’s housing market, where units affordable to households above 120% AMI—typically the segment served by new, market rate units—show significant deficits. Yet traditional needs assessments that focus exclusively

on subsidized affordable housing production do not tend to focus on this dynamic. The fact that higher-income households are occupying housing units that could be affordable to middle and lower-income

households indicates a market distortion driven by supply constraints rather than just affordability gaps.

Alternative Measurement Approaches

Beyond the Fair Share methodology, alternative approaches to measuring Connecticut’s housing deficit can provide complementary perspectives. One possible method we suggest compares historical housing

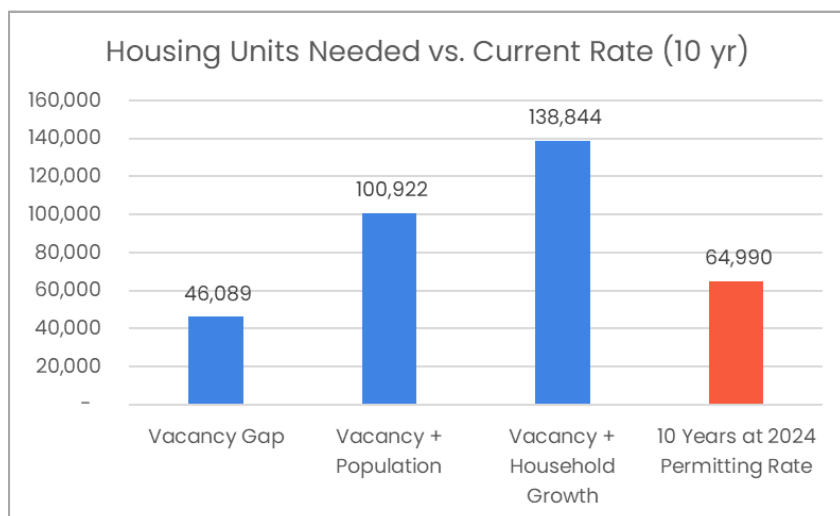
production rates against changes in vacancy rates to estimate accumulated shortfalls over time. Using this approach Connecticut would need approximately 46,089 additional housing units merely to restore vacancy rates to 2010–2019 average levels, assuming no household growth.¹⁰

However, factoring in realistic household growth projections increases this estimate. Assuming Connecticut experiences household growth similar to the past decade (6.4%), the state would need to add approximately 9,275 units annually to accommodate new households, plus 4,609 units annually to restore healthy vacancy rates—totaling 13,884 units per year or 138,844 units over the next decade.

Income Level	# of Units	% of Units
0–30%	91,089	25.4%
30–60%	14,650	4.1%
60–80%	3,047	0.8%
80–100%	1,405	0.4%
100–120%	6,732	1.9%
>120%	241,964	67.4%
TOTAL	358,887	100.0%

Figure 5: Units needed by income, Alternative Approach 2

¹⁰ U.S. Census Bureau. (2010–2023). *American Community Survey 1-Year Estimates: Table DP04—Selected Housing Characteristics*. Retrieved March 25, 2025, from <https://data.census.gov/>



The Economic Impact of Housing Scarcity

Housing Affordability and Labor Mobility: A Critical Economic Linkage

The relationship between housing availability and economic growth extends beyond shelter costs. A growing body of economic research demonstrates that housing scarcity and affordability constraints reshape labor markets, limit economic productivity, and exacerbate

regional inequalities. Connecticut's persistent housing production deficits must therefore be understood both as a social issue as well as an impediment to economic development.

Declining Labor Mobility and Skill Sorting

One of the most economically significant consequences of housing constraints is the impact on labor mobility—the ability of workers to relocate to areas with better employment opportunities. Ganong and Shoag (2017) show how labor mobility across the United States has declined markedly since the 1980s, with housing costs serving as a primary driver of this trend.¹² Their analysis reveals that while high-productivity metropolitan areas continue to offer wage premiums across occupational categories, lower-skilled occupations have not experienced sufficient wage growth to offset escalating housing costs. The result is that net wages (after housing

U.S. Census Bureau population projections offer another reference point, forecasting 3.8% national population growth between now and 2035.¹¹ If Connecticut were to achieve similar growth rates while maintaining current household sizes, the state would require an additional 54,833 housing units to accommodate new household formation. To simultaneously achieve a vacancy rate comparable to historical levels would require approximately 100,922 additional units by 2035.

Comparing to recent data, the state permitted 6,499 housing units in 2024²—its strongest production year since the Great Financial Crisis, yet still significantly below pre-2008 averages. Meeting the Vacancy + Population estimate of needed production (10,092 units annually) would require a 55% increase over 2024 levels, while the upper-bound estimate (13,884 units annually) would necessitate a 114% increase in annual production. Notably, achieving this lower-bound production level would merely return Connecticut to its pre-GFC construction rates.

¹¹ U.S. Census Bureau. (2023). *2023 National Population Projections Tables: Main Series*. Retrieved March 25, 2025, from <https://www.census.gov/data/tables/2023/demo/popproj/2023-summary-tables.html>

¹² Ganong, P., & Shoag, D. (2017). *Why has regional income convergence in the U.S. declined?* (NBER Working Paper No. 23609). National Bureau of Economic Research. <https://www.nber.org/papers/w23609>

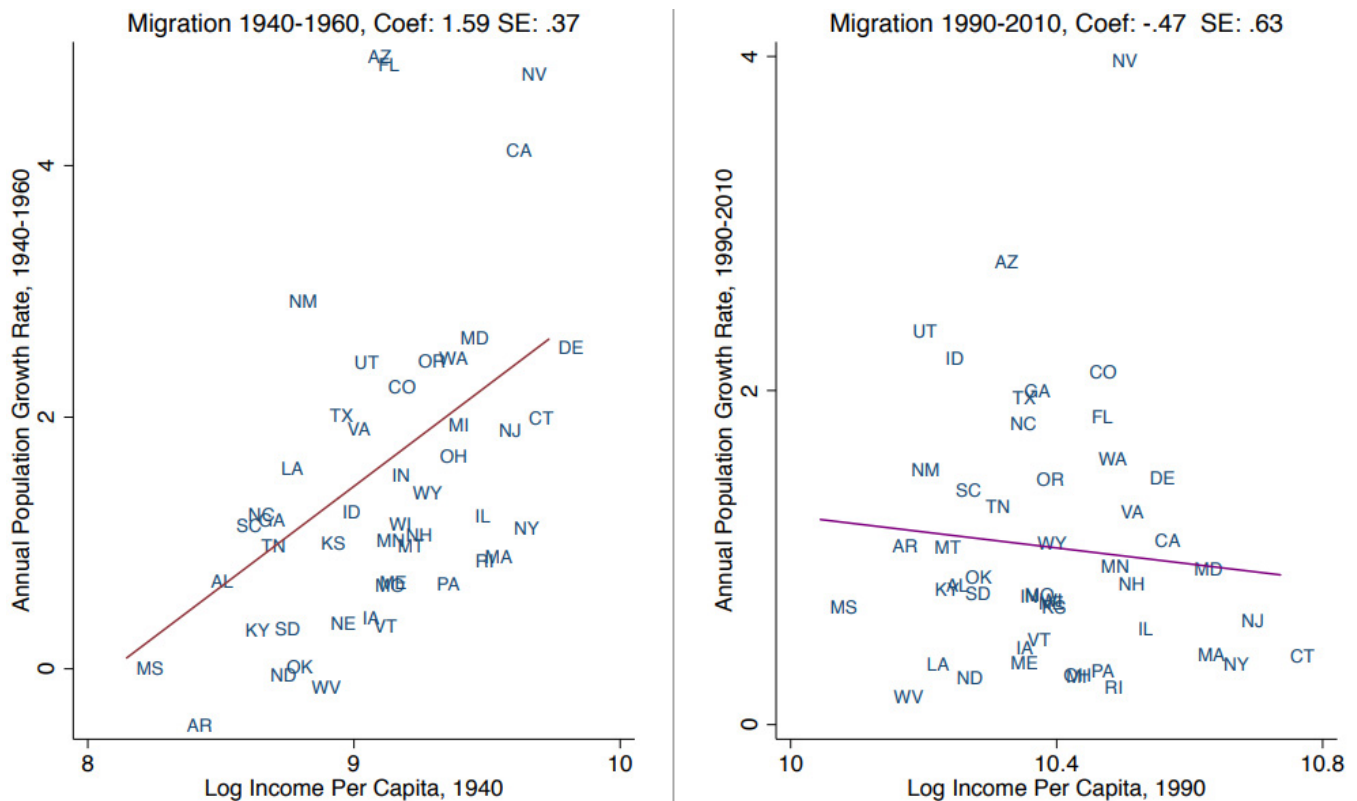


Figure 6: Ganong & Shoag(2017), shows decline in labor mobility to high income states.

costs) have effectively declined for many workers in high-cost states.

This has triggered what the authors term “skill sorting”—a pattern where high-skilled, high-wage workers continue to migrate to productive but expensive regions, while lower and middle-skill workers increasingly avoid or leave these same areas. The researchers establish a causal relationship between this pattern and the proliferation of restrictive land-use regulations beginning in the 1980s. We can often see Connecticut’s position in their analysis, ranking among the most heavily regulated states for land use in the country. This regulatory environment has coincided with precisely the demographic pattern the research predicts: Connecticut has experienced

disproportionate in-migration of high-skill individuals relative to lower-skill workers.

The labor mobility constraints created by housing scarcity have particularly acute implications for Connecticut’s key industries. Healthcare systems throughout the state report persistent challenges recruiting and retaining essential staff, including nurses, medical technicians, and support personnel—occupations that typically fall within middle-income brackets most affected by housing affordability pressures. Similarly, manufacturing and construction sectors—critical to the state’s economic base and infrastructure development—face workforce shortages exacerbated by limited affordable housing options for their employees.

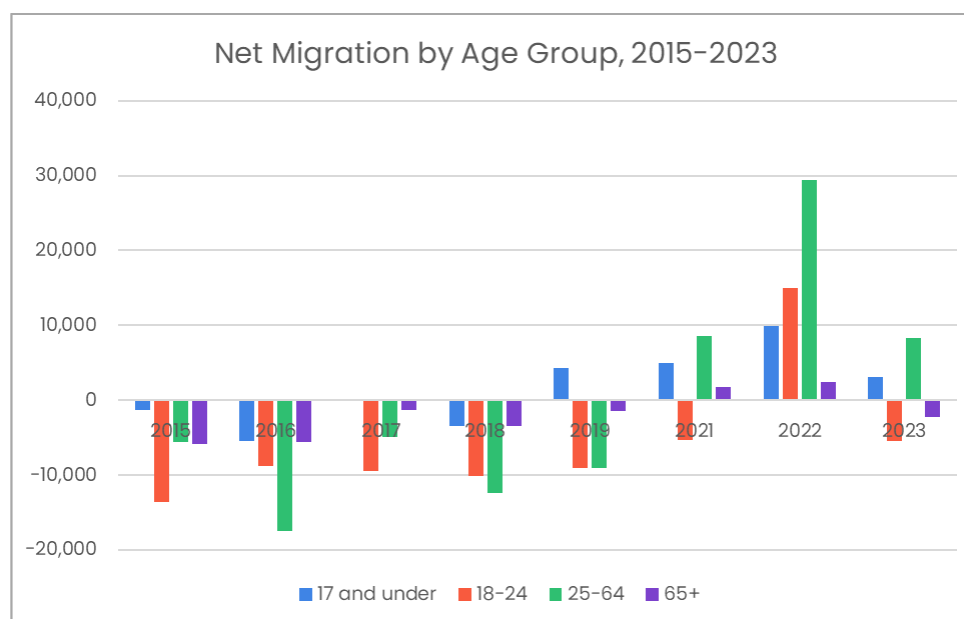


Figure 7: Net Migration by Age Group

Perhaps most important is the impact on young professionals and early-career workers. Connecticut's persistent net out-migration of residents aged 18-24 is precisely the population segment making career-defining relocation decisions heavily influenced by housing affordability. This trend represents a labor challenge as it depletes the state's future workforce, reduces entrepreneurship potential, and disrupts knowledge transfer between generations of workers.

Misallocation of Labor and Aggregate Economic Growth

Macroeconomic performance also appears to suffer in the face of constrained housing markets. Chang-Tai Hsieh and Enrico Moretti's 2019 research quantifies the economic cost of housing-induced labor misallocation.¹³ Their analysis estimates that constraints on housing supply in high-productivity

metropolitan areas reduced aggregate U.S. GDP growth by 36% between 1964 and 2009—a significant drag on national economic performance attributable to housing market dysfunction.

While translating these national findings to Connecticut's specific context should be done with caution, the fundamental economic mechanism is clear: housing constraints create spatial mismatches between workers and job opportunities, preventing labor from flowing efficiently to its most productive applications. This spatial mismatch harms Connecticut by limiting the ability of workers to relocate in the state in response to evolving economic opportunities. Impacts similar to what the paper describes would translate to tens of billions of dollars in lost productivity annually.

¹³ Hsieh, C.-T., & Moretti, E. (2019). Housing constraints and spatial misallocation. *American Economic Journal: Macroeconomics*, 11(2), 1–39. <https://doi.org/10.1257/mac.20170388>

The European Union has documented similar economic patterns in its cross-national research. A World Bank report examining labor mobility across EU member states found that housing affordability constraints significantly impede worker reallocation to high-productivity regions, reducing economic convergence and overall productivity growth. This research underscores that Connecticut's housing challenges are observed across developed economies with similar regulatory frameworks.¹⁴

Housing Affordability and Economic Productivity

Jerry Anthony's 2022 research on the relationship between housing affordability and economic performance across America's 100 largest metropolitan demonstrates that declining housing affordability correlates strongly with stagnating per capita GDP growth.¹⁵

Anthony identifies several causal mechanisms through which housing constraints undermine economic vitality:

1. **Altered consumption patterns:** As housing costs consume larger portions of household budgets, discretionary spending that would otherwise support local businesses and services declines, reducing economic multiplier effects throughout regional economies.
2. **Increased employee turnover:** Workers facing unsustainable housing costs often seek employment opportunities in more affordable regions, creating costly turnover for employers

and disrupting organizational knowledge and productivity.

3. **Talent stratification:** Housing constraints create segmented labor markets where workers sort primarily by income rather than skill or productivity potential, limiting knowledge spillovers and reducing the innovation benefits of economic diversity.
4. **Business relocation:** When housing constraints persistently affect workforce availability, businesses eventually relocate operations to regions with better talent access, depleting the economic base of high-cost areas despite their inherent productivity advantages.

Each of these mechanisms is observable in Connecticut's economic landscape. The state's persistently slow job growth following the Great Recession, despite strong educational institutions and strategic location advantages, may be explained in part by housing constraints.

Housing Filtering and Market Dysfunction

"Filtering" is the mechanism through which housing units traditionally become more affordable over time as they age and newer units enter the market. This process has historically been a source of low- and middle-income housing. A 2014 paper by Stuart S. Rosenthal showed that during the 20th century, housing filtered down at a rate of about 1.9% of income per year. In other words, after 50 years, a home was occupied by a household making 60% less than when it was new.¹⁶

¹⁴ Inchauste, G., Karver, J., Kim, Y. S., & Abdel Jelil, M. (2018). *Living and leaving: Housing, mobility, and welfare in the European Union*. World Bank. <https://thedocs.worldbank.org/en/doc/507021541611553122-0080022018/original/LivingLeavingweb.pdf>

¹⁵ Anthony, J. (2022). Housing affordability and economic growth. *Housing Policy Debate*, 33(5), 1187–1205. <https://doi.org/10.1080/10511482.2022.2065328>

¹⁶ Rosenthal, S. S. (2014). Are private markets and filtering a viable source of low-income housing? Estimates from a "repeat income" model. *American Economic Review*, 104(2), 687–706. <https://doi.org/10.1257/aer.104.2.687>

However, Jonathan Spader’s recent research (2023) reveals that as housing markets tighten, the filtering process can reverse where older housing stock becomes increasingly occupied by higher-income households due to supply constraints.¹⁷ This dynamic may explain Connecticut’s expensive housing market, despite the state having one of the nation’s oldest housing stocks.¹⁸

Connecticut’s Housing Regulatory Environment

Regulatory Landscape: Connecticut in National Context

Connecticut’s housing production challenges cannot be fully understood without examining the state’s regulatory environment for land use and development. Evidence consistently places Connecticut among the most restrictive states nationally for housing development regulations. According to an analysis by the Cato Institute, Connecticut ranks as

Rank	State
1	Ohio
2	Connecticut
3	Delaware
4	Maine
5	Vermont

Figure 8: Cato Top-5 Most to Least Restrictive Land-Use Regulation

the second most restrictive state in the nation for both overall land-use regulation and specific zoning constraints.¹⁹

Cato’s assessment evaluates multiple regulatory dimensions, including zoning restrictions, approval processes, impact fees, growth controls, and affordable housing mandates. Connecticut’s high ranking reflects the cumulative impact of restrictions across these categories, creating a regulatory environment that constrains housing production even when market demand would otherwise support greater development activity.

Specific Supply Barriers

Large-Lot Zoning Requirements

An important regulatory constraint in Connecticut is the prevalence of large minimum lot size requirements for residential development. Analysis of Connecticut’s zoning maps reveals that approximately 62% of land zoned for single-family residential development requires at least one acre of land per housing unit.²⁰

Research on similar large-lot requirements in the Boston metropolitan area demonstrates the economic impact of such restrictions. Each additional acre of minimum lot size required was associated with a 50% decline in building permits²¹—a clear indication of how such requirements directly

¹⁷ Spader, J. (2024). Has housing filtering stalled? Heterogeneous outcomes in the American Housing Survey, 1985–2021. *Housing Policy Debate*. Advance online publication. <https://doi.org/10.1080/10514822.2023.2298256>

¹⁸ Zhao, N. (2023, February 7). Age of housing stock by state. *Eye on Housing*. <https://eyeonhousing.org/2023/02/age-of-housing-stock-by-state-4/>

¹⁹ Calder, V. B. (2017). *Zoning, land-use planning, and housing affordability* (Policy Analysis No. 823). Cato Institute. Retrieved March 25, 2025, from <https://www.cato.org/policy-analysis/zoning-land-use-planning-housing-affordability>

²⁰ Nunes, A. (2024, August 18). *How large-lot zoning contributes to Rhode Island’s big housing shortfall*. The Public’s Radio. Retrieved March 25, 2025, from <https://thepublicsradio.org/housing/how-large-lot-zoning-contributes-to-rhode-islands-big-housing-shortfall/>

²¹ Glaeser, E. L., & Ward, B. A. (2009). The causes and consequences of land use regulation: Evidence from Greater Boston. *Journal of Urban Economics*, 65(3), 265–278. <https://doi.org/10.1016/j.jue.2008.06.003>

suppress housing production. This research further revealed that land restricted from development through regulatory constraints such as setbacks and minimum lot sizes carries lower market value than developable portions of the same property, creating economic inefficiencies in land utilization.

Low Housing Supply Elasticity

An economic consequence of Connecticut's regulatory environment is its impact on housing supply elasticity—the responsiveness of housing production to price signals. In functioning housing markets, rising prices should stimulate increased production, creating a self-correcting market mechanism. However, research by Saiz (2010) demonstrates that Connecticut's metropolitan areas exhibit low supply elasticity due to the combined effects of regulatory constraints and geographic limitations.²²

Saiz's research shows the Stamford–Bridgeport–New Haven corridor as having among the lowest supply elasticities nationally. This finding may help explain why Connecticut's housing price increases in recent years—particularly following the pandemic or before the GFC—did not generate a corresponding surge in housing production.

Rank	Elasticity
19	.98
New Haven–Bridgeport–Stamford Danbury–Waterbury, CT	

Figure 9: From Saiz (2010): Supply elasticities of MSAs

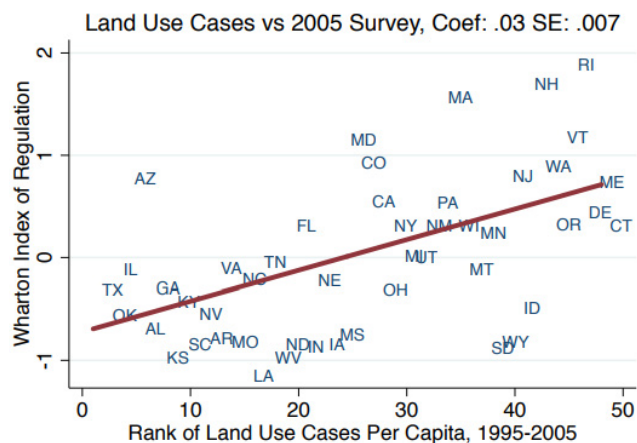
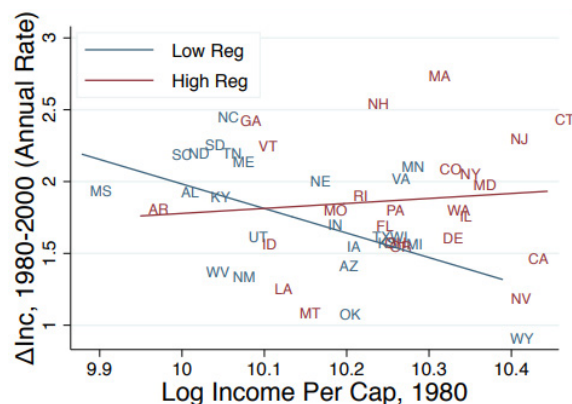


Figure 10: From Ganong & Shoag: Top figure shows land use case burden, bottom shows impact of regulation on income sorting

It is worth noting that while Connecticut does face some geographic constraints on development, these alone do not fully explain the state's housing production challenges per the study. The research by Ganong and Shoag cited earlier in our report similarly identified Connecticut's regulatory environment, rather than purely physical limitations, as the primary driver of housing constraints.¹²

²² Saiz, A. (2010). Geographic determinants of housing supply. *The Quarterly Journal of Economics*, 125(3), 1253–1296. <https://doi.org/10.1162/qjec.2010.125.3.1253>

Density Patterns and Development Potential

A common misconception holds that Connecticut's housing production challenges stem primarily from the state being "land constrained" as the fourth most densely populated state nationally. However, the state's high overall density reflects a relative absence of very low-density rural areas rather than the presence of high-density urban centers.

Notably, as of 2020, there were zero census tracts in Connecticut that exceeded 15,000 people per square kilometer. The densest census tract was in downtown Bridgeport with a density of 14,590 people per km². For comparison, if we ignore NYC metro, there are 435 tracts in the US with densities higher than this. If we were to rank all 50 states based on their densest census tract, Connecticut would rank 19th.

Zooming out to overall density statistics, the median density of a census tract in the US in 2020 was 864.5 residents per km², with a 25th percentile of 127.3 and a 75th percentile of 2,083. In Connecticut, those figures were 758.5, 272, and 1,967 respectively. In other words, most Connecticut residents live in a census tract that is less dense than the national median, despite very few of the state's residents living in sparsely populated census tracts.

This density pattern suggests substantial potential for increased housing development through moderate density increases in already-developed areas. Locations throughout the state have capacity to accommodate additional housing units without requiring density above that seen in many other states.

Approaches to Housing Regulatory Reform

Categorizing Reform Types

Housing regulatory reform encompasses an array of policy interventions that can increase housing production, enhance affordability, and improve market efficiency. To systematically evaluate potential reforms, we can categorize them according to their primary mechanisms of action. This framework allows policymakers to understand how different reforms complement each other and how they might be sequenced or combined to achieve housing policy objectives.

The housing regulatory landscape can be analyzed through three categories: Procedural/Form-Based Reforms, Infrastructure Enablement, and Financial Subsidy. Each category addresses different aspects of the housing development ecosystem, though many successful housing policy approaches incorporate elements from multiple categories. Appendix A contains examples from other states implementing these reforms.

Process and Procedural Reforms

Process and procedural reforms modify the legal frameworks, approval processes, and administrative requirements that govern housing development. These reforms typically require minimal public expenditure while potentially enabling significant increases in housing production by reducing regulatory friction, timeline uncertainty, and administrative costs.

Zoning Reform Approaches: Zoning reforms represent perhaps the most fundamental procedural intervention, as they redefine what types of housing can be built and where. Potential zoning reforms include:

- Transit-oriented development overlays that enable higher density housing near transit stations
- Form-based codes that regulate building relationship to public space rather than use-based restrictions
- Upzoning of single-family neighborhoods to permit duplexes, triplexes, or small multifamily structures
- Allowance for accessory dwelling units (ADUs) by right on existing residential properties

Permit Process Streamlining: Beyond zoning, procedural reforms can reduce development timelines and costs:

- Standardized and expedited review processes for projects meeting specific criteria
- Consolidated permitting platforms that integrate multiple agency reviews
- Pre-approved design templates for common housing typologies
- Reformed environmental review processes that maintain environmental protection while reducing redundancies
- Coordinated inter-agency review procedures to eliminate sequential delays

Builders' Remedies: Builder's remedies are rules that allow developers to increase the number of units in a development above what would otherwise be allowed if certain conditions are met. Connecticut's Affordable Housing Appeals Procedure (8-30g) represents one such remedy. The statute enables developers to override local zoning regulations in municipalities where less than 10% of the housing stock qualifies as affordable. While the statute has facilitated some affordable housing development, its adversarial structure has created implementation challenges. Potential reforms could include:

- Creating predictable "safe harbor" provisions for municipalities actively implementing housing plans
- Calibrating affordability requirements to make projects more financially viable
- Reforming the appeals procedure to limit duration and scope of challenges to projects

Regulatory Standardization: Connecticut's fragmented municipal governance creates significant regulatory variation across municipal boundaries. Standardization reforms could include:

- Model zoning codes that municipalities can adopt with local modifications
- Uniform definitions for housing types and development standards
- Standardized impact analysis methodologies for traffic, environmental, and fiscal reviews
- Cross-municipality sharing of best practices and successful regulatory approaches

Parking Requirement Reforms: Minimum parking requirements substantially impact development costs and site utilization. Potential reforms include:

- Eliminating minimum parking requirements entirely, allowing markets to determine appropriate parking provision
- Reducing requirements near transit or in walkable areas
- Decoupling parking from housing units, allowing separate pricing and more efficient utilization
- Allowing shared parking arrangements across different uses and properties

Lot Size and Setback Requirements: As discussed in the previous section, Connecticut's extensive large-lot zoning creates significant barriers to housing production. Reforms in this area include:

- Reducing minimum lot size requirements to enable more efficient land utilization
- Calibrating setbacks to maintain appropriate spacing while maximizing developable area
- Permitting lot splits that create additional development opportunities on existing properties

Building Code Modifications: Several building code provisions significantly impact housing costs without proportionate safety benefits. Potential reforms include:

- Single-stair reform to allow single-stairway designs in residential buildings up to 6 stories, as permitted in numerous international building codes
- Allowing prescriptive or pre-approved construction methods that reduce design costs
- Updating height restrictions to enable taller, denser buildings
- Encouraging adaptive reuse through code accommodations for existing buildings

Missing Middle Housing Typologies: Enabling diverse housing typologies beyond the single-family/high-rise apartment dichotomy offers significant potential for increasing housing supply while maintaining neighborhood character. Reforms could include:

- Enabling townhomes (attached single family), duplexes, and triplexes in traditionally single-family zones
- Creating by-right pathways for courtyard apartments and other low-rise multifamily typologies
- Enabling single-room occupancy (SRO) and rooming house models

Infrastructure Enablement

Housing development depends on adequate infrastructure capacity, particularly for water, sewer, transportation, and public services. Infrastructure-focused reforms address these enabling systems to support housing growth in appropriate locations.

Mass Transit Integration: Transit access significantly impacts housing affordability by reducing transportation costs and enabling car-free or car-light living. Transit-oriented reforms include:

- Coordinating transit investment with housing development incentives
- Creating unified mobility plans that align infrastructure and land use decisions
- Establishing transit benefit districts that capture value increases to fund both infrastructure and affordable housing

Water and Sewer Infrastructure: Many Connecticut communities face infrastructure capacity constraints that limit housing development. Addressing these limitations could include:

- Upgrading existing sewer systems to enable additional capacity
- Creating infrastructure financing districts that enable development-funded system expansion
- Modernizing infrastructure regulations to accommodate new technologies and approaches

Climate Resilience and Environmental Remediation:

Connecticut faces both climate vulnerabilities and legacy environmental contamination that affect development potential. Forward-looking approaches include:

- Enable construction in otherwise risky areas through climate infrastructure investments

- Streamlining brownfield remediation processes to return contaminated sites to productive use
- Focusing density in locations with lower environmental vulnerability

Financial Subsidies

Financial interventions create economic incentives or reduce costs for housing development, particularly for affordable and workforce housing production that may not be financially viable through market mechanisms alone.

Public Financing Tools: Various public financing approaches can support housing development, including:

- Low-interest loan programs for development meeting specific policy objectives
- Credit enhancement mechanisms that reduce private financing costs
- Land banking and public land disposition strategies that reduce land costs for affordable housing

Tax Policy: Tax structures significantly impact development feasibility and housing affordability. Reform approaches include:

- Standardized property tax incentives for developments meeting affordability targets
- Tax increment financing (TIF) that captures future tax revenue to fund present infrastructure needs
- Land value taxation approaches that encourage development of underutilized properties
- Tax credits for rehabilitation and adaptive reuse of existing structures

Construction Cost Reduction: Several financial approaches directly address construction costs:

- Workforce development programs that address labor shortages in construction trades
- Allowing modular and prefabricated construction techniques that reduce on-site labor costs
- Bulk purchasing programs for materials used in affordable housing development
- Reevaluation of prevailing wage requirements for publicly-funded projects to improve cost efficiency

Strategic Implementation: Integrating Reform Categories

While these reform categories provide a useful framework for analysis, the most effective housing policy approaches integrate reforms across categories to address the multiple dimensions of housing challenges. For instance, zoning reforms (procedural) that enable higher density may be complemented by parking requirement reductions, infrastructure investments in transit and sewer capacity (infrastructure), and targeted tax incentives (financial) to create comprehensive conditions for housing production.

The appropriate mix of reforms depends on local housing market conditions, existing regulatory frameworks, and specific policy objectives. High-cost markets with severe supply constraints may benefit most from procedural and form-based reforms that enable market-responsive housing production, while communities with weaker market conditions may require greater emphasis on financial tools to catalyze development activity.

What remains clear from the analysis of Connecticut's housing challenges is that no single reform category alone will adequately address the state's housing production deficit. Substantial progress will require coordinated reforms across multiple dimensions of the housing regulatory ecosystem.

The next section will examine Connecticut's current housing policy initiatives and ongoing reform efforts, assessing their potential impact on addressing the housing production challenges identified in this analysis.

Current Housing Policy Initiatives and Reform Proposals in Connecticut

Evolution of Connecticut's Housing Policy Approach

Connecticut's approach to housing policy has evolved in recent years as policymakers increasingly recognize the economic and social consequences of the state's housing shortage. This section examines Connecticut's current housing initiatives and proposed reforms, evaluating their potential impact on addressing the state's housing production deficits.

Existing Housing Production Programs

Affordable Housing Development

Connecticut has maintained several programs aimed at producing deed-restricted affordable housing units. While these programs address critical needs for specific populations, their scale remains insufficient relative to the overall housing deficit documented in previous sections.

Data from CT Open Data indicates that Connecticut's assisted housing units have increased by

approximately 16,000 units since 2011²³, growing from 10.7% to 11.4% of the state's total housing stock. This suggests that roughly 30.8% of net new housing units created in Connecticut during this period were affordable units of some type. While this represents a significant commitment to affordable housing production, the total volume remains inadequate relative to assessed needs.^{2, 10}

Recent programs demonstrate both the potential and limitations of subsidy-based approaches. Between 2019 and 2022, Connecticut completed 5,495 units of affordable housing using \$1.05 billion in public investment—approximately \$264,000 per unit in total investment, or about \$48,000 per unit in state funding when excluding Low Income Housing Tax Credits.²⁴ Extrapolating these figures, to address Connecticut's affordable housing deficit (using 100,000 as reasonable figure) through subsidized production alone would require nearly \$5 billion in state investment presenting a significant fiscal challenge.

Build for CT Program

Recognizing the need for housing that serves moderate-income households, Connecticut established the Build for CT program in 2023. This initiative allocated \$200 million in state bonding to create units for middle-income renters (between 60% and 120% of AMI).

As of April 2025, the program has invested \$83.6 million in projects that have created 2,575 total housing units, including 706 units specifically restricted for middle-income households.²⁵ This translates to

²³ Connecticut Department of Housing. (2023). *Affordable Housing by Town 2011-2023*. Connecticut Open Data Portal. Retrieved March 25, 2025, from <https://data.ct.gov/Housing-and-Development/Affordable-Housing-by-Town-2011-2023/Study-56vi>

²⁴ State of Connecticut. (2024). *Governor's Proposed Budget 2024-2025*. Retrieved March 25, 2025, from <https://s3.documentcloud.org/documents/24234098/governor-proposed-budget-24-25.pdf>

²⁵ Connecticut Housing Finance Authority. (2025). *Build For CT Developments*. Retrieved March 25, 2025, from <https://storymaps.arcgis.com/stories/24e2a588c9244a02931e43ff27b50eeb>

approximately \$32,466 in public investment per total unit and \$118,414 per restricted middle-income unit. Projecting these figures forward, the full program might be expected to produce approximately 6,300 total units, including about 1,600 middle-income restricted units.

While Build for CT represents an important attempt to address the “workforce housing” segment, its scale remains limited relative to estimated needs. Even if we assume the units created under the program would have been impossible without it, the projected output of approximately 6,300 units represents only a small fraction of Connecticut’s estimated housing deficit.

Homeownership Programs

Connecticut has also implemented initiatives aimed at expanding homeownership opportunities, most notably the Time to Own program providing down payment assistance to first-time homebuyers.²⁶ While such programs address affordability barriers for potential homeowners, they primarily operate on the demand side of the housing equation rather than expanding supply. In constrained housing markets, such demand-focused programs may inadvertently contribute to price escalation if not paired with corresponding supply expansion.

Assessing Policy Impact and Gaps

Connecticut’s evolving housing policy landscape demonstrates increasing recognition of the housing challenges and the need for an increased focus on building supply. However, significant gaps remain in addressing the scale of production needed to overcome accumulated deficits.

Scale Limitations

Even the most ambitious current programs and proposals likely fall short of the production volumes required to address Connecticut’s housing deficit. The Build for CT program’s projected output of approximately 6,300 units represents just a fraction of the estimated deficit of 100,000+ units documented in previous sections. The cost per unit for the creation of affordable housing units presents a significant fiscal barrier in addressing the shortage through subsidy alone.

Implementation Challenges

Many promising policy approaches face significant implementation challenges. Transit-oriented development initiatives depend on municipal adoption, potentially limiting their impact in communities most resistant to housing growth. Financial incentive programs like redevelopment tax credits require sufficient market demand to activate development activity, which may be lacking in some Connecticut communities despite overall housing shortages.

Balance Between Affordability and Production

Connecticut’s housing policy evolution reveals the inherent tension between focusing on deeply affordable housing production and enabling broader market-responsive development. The data presented in this section illustrates the fiscal limitations of subsidy-based approaches alone—addressing Connecticut’s housing deficit would require public investments far exceeding available resources if pursued entirely through subsidized production.

²⁶ Connecticut Housing Finance Authority. (n.d.). *Time To Own—Forgivable Down Payment Assistance Program*. Retrieved March 25, 2025, from <https://www.chfa.org/homebuyers-homeowners/homebuyers/time-to-own-down-payment-assistance-program-loan/>

A balanced approach would maintain targeted interventions for the most vulnerable populations while implementing broader enabling policies that increase overall housing production. This balanced strategy recognizes that improving housing market function across price points ultimately benefits households across the income spectrum.

Future Policy Directions

Connecticut's housing policy trajectory suggests several promising directions for future development:

1. **Expanded regulatory reforms:** Building on initial steps like single-stair reform and transit-oriented development policies, Connecticut could pursue more comprehensive zoning reforms that enable diverse housing typologies across a wider geographic area.
2. **Streamlined processes:** Beyond specific regulations, addressing procedural barriers through permit streamlining, standardized review processes, and coordinated inter-agency or regional procedures could significantly reduce development timelines and costs.
3. **Regional approaches:** Connecticut's fragmented municipal governance creates coordination challenges for housing policy. Developing regional housing plans with shared responsibilities and incentives could better align production with regional housing needs.
4. **Innovative financing mechanisms:** Beyond traditional subsidies, mechanisms like housing trust funds, regional tax-base sharing, and social impact investment vehicles could expand resources available for housing production.
5. **Public land utilization:** Leveraging state and municipal land holdings for housing development could reduce land costs while enabling mixed-income models that cross-subsidize affordable units with market-rate development.

Conclusion

This analysis has documented Connecticut's persistent housing production deficit and its economic implications. Historical construction patterns reveal consistent underproduction compared to national averages and regional peers, with the gap widening significantly following the Great Recession. Multiple methodologies converge on an estimated deficit requiring between 10,000–14,000 units annually over the next decade to address current shortages and accommodate growth.

The economic consequences of this housing deficit are substantial and well-documented. Research demonstrates that housing constraints reduce labor mobility, create workforce mismatches, impair business competitiveness, and ultimately constrain economic growth. Connecticut's regulatory environment, particularly its prevalence of large-lot zoning requirements and complex approval processes, significantly dampens housing supply elasticity—the market's ability to respond to price signals with increased production.

Addressing Connecticut's housing challenges requires a comprehensive approach integrating procedural reforms, form-based code revisions, infrastructure investments, and targeted financial mechanisms. By establishing a more efficient regulatory framework that enables diverse housing typologies while maintaining community character, Connecticut can enhance its economic competitiveness, support business development, and create sustainable paths for growth across its diverse regions. ■

Appendix A: Example Reforms

1. Zoning Reform Approaches

- **Oregon (2019):** Enacted **HB 2001** to broaden allowed housing types in single-family zones. The law requires cities over 10,000 to permit at least duplexes on every lot zoned for single-family, and larger cities (25,000+ or in Portland metro) to allow triplexes, fourplexes, and cottage clusters in those areas. Signed in 2019 and effective 2020.²⁷
- **Massachusetts (2021):** Adopted a **transit-oriented zoning mandate** as part of an economic development bill. It requires every “MBTA Community” (cities and towns served by Boston’s transit system) to create at least one zoning district of reasonable size near a transit station where multifamily housing is allowed as of right (minimum 15 units/acre). Noncompliance means losing eligibility for state infrastructure and housing funds. Enacted in January 2021, this reform aims to spur transit-oriented development and address the regional housing shortage.²⁸
- **California (2016–2019):** Passed a series of **Accessory Dwelling Unit (ADU)** laws that override local zoning to permit ADUs statewide. For example, **SB 1069 (2016)** and follow-up bills **AB 68/AB 881/SB 13 (2019)** removed barriers by requiring ministerial (fast-track) approval of ADUs, capping parking and setback requirements, prohibiting onerous rules like owner-occupancy (through 2025), and waiving impact fees for small ADUs. These state-level changes (effective 2017–2020) have led to

an increase in ADU construction as a form of infill housing. (Other areas have modernized local zoning: e.g. **Minneapolis, MN (2018)** eliminated single-family-only zoning, allowing triplexes on all residential lots, a policy that influenced subsequent statewide reforms)²⁹

2. Permit Process Streamlining

- **Texas (2019):** Enacted **HB 3167**, a statewide “shot clock” for development approvals. The law requires cities and counties to review and act on subdivision plats and related development applications within 30 days (15 days for resubmittals), or else the application is automatically deemed approved. Effective Sept. 2019, this statute forces a standardized, expedited timeline for permit reviews and prevents indefinite delays in the land-use approval process.³⁰
- **California (2022):** Passed **AB 2234**, imposing clear timelines and online processes for post-entitlement building permits. Effective Jan. 1, 2023, it requires local building departments to accept applications through a public web portal and decide on completed building permit apps within 30 business days (for projects ≤25 units) or 60 days (>25 units). This streamlining law ensures quicker, standardized processing of building permits and prohibits jurisdictions from stalling construction after zoning entitlements are in place.³¹
- **Washington (2023):** Adopted **SB 5412**, amending the State Environmental Policy Act (SEPA) to speed up housing approvals. As of July 2023, most housing

²⁷ <https://www.oregon.gov/lcd/UP/Documents/HB2001OverviewPublic.pdf>

²⁸ <https://www.mass.gov/info-details/multi-family-zoning-requirement-for-mbta-communities>

²⁹ <https://www.cato.org/blog/results-accessory-dwelling-unit-reform-so-far#:~:text=cities%20and%20counties%20to%20develop,by%20the%20state%20in%202019>

³⁰ <https://www.tml.org/DocumentCenter/View/4166/Platting-Shot-Clock-Process-11-2023-PDF>

³¹ DuBroff, N. (2023, May 1). *AB 2234—Mandatory Timeframes for Issuance of Post-Entitlement Permits*. Allen Matkins. Retrieved March 25, 2025, from <https://www.allenmatkins.com/real-ideas/ab2234--mandatory-timeframes-for-issuance-of-post-entitlement-permits.html>

projects in jurisdictions that meet planning criteria are exempt from SEPA environmental review. By eliminating duplicative environmental impact reviews for infill development, this reform (effective through 2025) accelerates permits and limits inter-agency hurdles for new residential construction, especially near transit.³²

3. Builder's Remedies

- **New Jersey (2015):** A state Supreme Court decision (Mount Laurel IV) reactivated the **"builder's remedy"** as an enforcement tool for affordable housing. In March 2015, the court stripped the state agency of oversight and returned jurisdiction to trial courts: municipalities that fail to adopt valid affordable housing plans can be sued by developers, who may then win court orders allowing higher-density projects that include affordable units. This requires towns without compliant plans to accommodate projects or face judicially approved zoning overrides—a legal remedy similar to Connecticut's 8–30g appeals process.
- **California (2017):** Enacted **SB 35**, which created a builder's remedy-style **streamlined approval** for housing in cities falling short of state housing targets. Effective 2018, SB 35 requires jurisdictions that have not met their **Regional Housing Needs** goals to ministerially approve qualifying housing developments that include a set percentage of affordable units. Developers in non-compliant cities can bypass discretionary review under SB 35, obtaining automatic approval if their project meets objective standards. (Additionally, in 2022–23 several California cities without up-to-date Housing Elements became subject to the "builders remedy"

under the Housing Accountability Act—meaning developers can propose projects with affordable housing that cities cannot deny purely for non-compliance with zoning.)

- **Massachusetts (since 1970, ongoing):** The state's **Chapter 40B** law functions as a long-standing builder's remedy. It allows developers to override local zoning by appealing to a state board if a municipality has less than 10% affordable housing. While not new, 40B was updated with procedural tweaks (e.g. safe harbor thresholds) over the years. It remains a model for "calibrated affordability requirements"—developers must set aside ~20–25% of units as affordable—and provides a streamlined appeals procedure to approve projects unless the town can show serious health or safety concerns. (For instance, a 2018 administrative rule clarified how cities can attain temporary safe harbor by meeting annual affordable housing production goals.)

4. Regulatory Standardization

- **Oregon (2020):** Developed **statewide model codes** to ensure uniform implementation of new zoning rules. After the passage of the middle-housing law, Oregon's Land Conservation & Development Commission issued a **Model Middle Housing Ordinance** that cities could adopt or would automatically apply if locals failed to comply by the deadline. This model code standardized definitions (duplex, cottage cluster, etc.), lot dimensional requirements, and approval criteria for "missing middle" housing across jurisdictions, creating consistency in how the 2019 reform was carried out statewide.

³² <https://lawfilesexternal.wa.gov/biennium/2023-24/Pdf/Bills/Senate%20Passed%20Legislature/5412-S2.PL.pdf?q=20250325093349>

- **New Hampshire (2017):** Implemented a **uniform Accessory Dwelling Unit policy** with SB 146 (enacted 2016, effective 2017). The state law required every municipality to allow one ADU by right (or with a minor permit) on single-family residential lots, with a standardized definition of ADUs and only limited local regulations permitted. This state-level rule change ensured *uniform housing type definitions* and treatment of ADUs across all towns, preventing local bans and creating a predictable approval process for accessory units.³¹
- **California (2020):** Standardized **impact analysis methodology** for transportation impacts of development. Pursuant to SB 743, as of July 2020 California's CEQA guidelines replaced "Level of Service" traffic analysis with **Vehicle Miles Traveled (VMT)** as the uniform metric for evaluating project transportation impacts. This shift in state regulation means that housing projects in infill locations are less likely to trigger costly traffic mitigation, since adding homes in walkable, transit-served areas often shows low VMT impact. By instituting a consistent impact measure, California reduced arbitrary local traffic studies and eased approval of housing in urban areas (supporting statewide climate and housing goals).³³

*(Additionally, many states facilitate **cross-municipality sharing** of best practices. California's 2021 Regional Early Action Planning program, for example, provided grants that require regions*

and cities to share template zoning reforms, model ordinances, and planning tools – effectively creating a standardized playbook for pro-housing policies across jurisdictions.)

5. Parking Requirement Reforms

- **California (2022):** Enacted **AB 2097**, a prohibition on minimum parking requirements for new developments near transit. Effective January 2023, cities and counties can no longer mandate off-street parking for projects located within 0.5 miles of a major public transit stop. This state law **eliminating parking minimums** near transit is intended to reduce cost burdens on housing, allow developers to "unbundle" parking from units, and encourage transit-oriented development.³⁴
- **Oregon (2022):** The state's Land Conservation and Development Commission adopted new administrative **rules that abolish many local parking minimums** under the Climate-Friendly and Equitable Communities initiative. As of the end of 2022, cities in Oregon's eight largest metro areas had to remove parking requirements for developments in downtowns, along frequent transit routes (within 0.5 mile), and for certain housing types (e.g. affordable or small units). Larger Oregon cities even chose to eliminate off-street parking mandates citywide to comply. These rules, effectively implemented in 2023, decouple parking from development and allow shared or market-based parking solutions.³⁵

³³ Southern California Association of Governments. (2024, May). WRCOG SB 743 implementation pathway. <https://scag.ca.gov/sites/default/files/2024-05/wrcog-sb743-implementation-pathway.pdf>

³⁴ Sherman, J. J., & Evans, M. (2024, May 29). California Assembly Bill 2097: Eliminating Parking Minimums for New Developments Near Major Transit Stops. California Lawyers Association. Retrieved March 25, 2025, from <https://calawyers.org/real-property-law/california-assembly-bill-2097-eliminating-parking-minimums-for-new-developments-near-major-transit-stops/>

³⁵ Parking Reform Network. (n.d.). Parking reforms in Oregon, OR. Retrieved March 25, 2025, from https://parkingreform.org/mandates-map/city_detail/Oregon_OR.html

- **Montana (2023):** Passed SB 245 (Housing for Montana Act), which among other provisions **invalidates excessive parking minimums** in certain cities. The law forbids municipalities within Metropolitan Planning Organization areas from enforcing parking requirements above one space per unit in multifamily developments, and it encourages “right-sizing” parking by developers.³⁶

6. Lot Size and Setback Reforms

- **California (2021):** Adopted **SB 9**, a landmark lot-split and upzoning measure for single-family neighborhoods. Effective January 2022, SB 9 allows homeowners to **split one residential lot into two** and build up to two units on each (effectively four homes on what was one single-family parcel), all by-right. The law sets uniform standards—e.g. each new lot must be at least 1,200 sq ft and roughly 40–60% of the original lot size—and prohibits local setbacks or discretionary reviews.³⁷
- **Maine (2022):** Enacted **L.D. 2003**, a state housing reform that, among other steps, overrides local minimum lot sizes in many areas. The law requires municipalities to allow up to **two units on any lot** zoned for single-family housing (and up to **four units per lot** in designated growth areas with sewer/water service). It also legalizes attached and detached ADUs on residential lots. This effectively reduces lot-size requirements (since

multiple homes can occupy a lot once limited to one) and adjusts setbacks to accommodate the additional units. Passed in April 2022 and effective July 2023, Maine’s reform tackles large-lot zoning by permitting lot splits and multi-unit use of lots, aiming to increase modest-income housing options.³⁸

- **Houston, TX (1998):** (Local example reflecting state-enabled flexibility) Houston expanded a city ordinance to allow **subdividing urban lots** to as small as 1,400 sq ft citywide. This reduction in minimum lot size—possible under Texas state code that gives cities platting authority—spurred tens of thousands of new homes on small lots and became a model for low-impact density.³⁹

7. Building Code Modifications

- **Washington (2019):** The Washington State Building Code Council approved early adoption of the 2021 International Building Code’s **tall wood building provisions**, becoming the first state to allow high-rise mass timber construction up to 18 stories. This code change (effective 2020) raised height limits for wooden buildings (previously capped around 5–6 stories) and pre-approved the use of cross-laminated timber with rigorous fire-safety standards.⁴⁰

³⁶ Montana State Legislature. (2023). *Senate Bill No. 245: An Act Revising Municipal Zoning Laws*. Retrieved March 25, 2025, from <https://archive.legmt.gov/bills/2023/billhtml/SB0245.htm>

³⁷ California Department of Housing and Community Development. (2024). *SB 9 Fact Sheet: On the Implementation of Senate Bill 9 (Chapter 162, Statutes of 2021)*. Retrieved March 25, 2025, from <https://www.hcd.ca.gov/sites/default/files/docs/planning-and-community/sb-9-fact-sheet.pdf>

³⁸ Maine Department of Economic and Community Development. (2023). *LD 2003 Guidance*. Retrieved March 25, 2025, from https://www.maine.gov/decd/sites/maine.gov.decd/files/inline-files/DECD_LD%202003_digital-%20Feb%202023%20update%20website_0.pdf

³⁹ Furth, S. (2020). *Subdividing the unzoned city: An analysis of the causes and effects of Houston’s 1998 subdivision reform*. SSRN. <https://doi.org/10.2139/ssrn.3659870>

⁴⁰ Washington State Building Code Council. (2018). *Washington first to allow tall wood buildings*. Retrieved March 25, 2025, from <https://www.constructionspecifier.com/washington-first-to-allow-tall-wood-buildings/>

- **New York (2022):** New York State expanded the **Housing Our Neighbors with Dignity Act** to facilitate adaptive reuse of underutilized hotels into housing. A bill signed in June 2022 allows certain hotels (in commercial zones near residential areas) to convert to residential **without needing a new certificate of occupancy or full code upgrades** that would normally be required.⁴¹
- **Chicago, IL (2019):** (Local code example) Chicago implemented a modernized building code based on international standards, which included an **Existing Building Code** to encourage rehab and conversion. Adopted in 2019–2020, the code introduced more flexible egress, fire protection, and accessibility provisions for renovating older structures (for example, allowing a single stair in some small residential conversions where safe). These modifications, made possible by Illinois permitting home-rule cities to update codes, have reduced costs for converting vacant downtown offices into housing.⁴²
- **Maine (2022):** Through LD. 2003, Maine legalized an array of **missing middle housing** forms statewide. As of July 2023, any lot zoned for single-family can have up to 2 units by right, and lots in growth areas can have 4 units (e.g. a fourplex or two duplexes) as-of-right. The law also requires allowance of at least one accessory dwelling unit per lot. These changes mean traditional middle housing (duplexes, triplexes, courtyard apartments) are broadly permitted without special zoning approval. Maine’s reform explicitly targets “middle” typologies—it treats two- to four-unit buildings similarly to single homes under local regulations.⁴⁰
- **California (2021):** Enacted **SB 10** (effective 2022) as an opt-in tool for cities to enable up to 10-unit **small apartment buildings** on parcels near transit or in infill areas via a streamlined rezoning. While voluntary, this state law provides a template ordinance and shields such upzoning from environmental review, making it easier for local governments to legalize mid-density housing like fourplexes, cottage courts, and stacked flats. Additionally, California’s **AB 803 (2022)** removed state barriers to **shared living arrangements** by clarifying that “by-right” housing can include co-living or Single-Room Occupancy (SRO) styles, encouraging micro-unit and rooming house developments. Together these efforts promote missing-middle and alternative housing typologies—from bungalow courts to SROs—as part of the state’s strategy to increase density gently within communities.

8. Missing Middle Housing Typologies

- **Montana (2023):** Approved **SB 323** requiring cities to allow “missing middle” housing types. Effective May 2023, any Montana city above 5,000 population **must permit duplex homes on all lots zoned for single-family residences** (at minimum). Larger cities are encouraged or required to also allow triplexes and fourplexes in residential zones. This statewide rule effectively legalizes duplexes by right, ending exclusive single-family zoning in those communities.⁴³

⁴¹ New York State Senate. (2022, June 10). *Gov. Hochul Signs Legislation to Expand Hotel to Housing Conversions*. Retrieved March 25, 2025, from <https://www.nysenate.gov/newsroom/in-the-news/2022/michael-gianaris/gov-hochul-signs-legislation-expand-hotel-housing>

⁴² PHCP Pros. (2019, March 25). *Chicago introduces first new building code in 70 years*. Retrieved March 25, 2025, from <https://www.phcppros.com/articles/9233-chicago-introduces-first-new-building-code-in-70-years>

⁴³ <https://archive.legmt.gov/bills/2023/billhtml/SB0323.htm>

9. Infrastructure Enablement

- **Massachusetts (2021):** Tied state infrastructure funding to housing-supportive zoning through the MBTA Communities law. A municipality that fails to create the required multifamily zoning district is rendered **ineligible for MassWorks infrastructure grants and other state funding programs**. MassWorks is a major state program that finances local roads, water/sewer expansions, and site preparation.³⁰
- **California (2019 & 2021):** Launched and expanded dedicated funding for **housing-supportive infrastructure**. In 2019, the state budget allocated \$500 million to a revived **Infill Infrastructure Grant** program, offering grants to local governments for water, sewer, and transportation improvements needed for higher-density housing projects.⁴⁴ In 2021, California created the **Regional Early Action Planning (REAP) 2.0** program (\$600 million) which explicitly allows Metropolitan Planning Organizations to invest in **infrastructure planning and upgrades (e.g. transit station area improvements, utility capacity increases)** that enable infill housing development.⁴⁵

10. Financial Mechanisms

- **Nevada (2019):** Created a **state Low-Income Housing Tax Credit** program to attract private investment. SB 448, enacted June 2019, authorized a four-year pilot allocating up to **\$10 million per year** in transferable state tax credits for affordable housing development. These credits, which complement the federal LIHTC, can be sold to raise equity for low-income projects. Nevada's program (2019–2023) essentially provides public financing support by reducing tax liability for investors in

affordable housing, thereby lowering construction financing costs and spurring more units.

- **Michigan (2022):** Launched the **Missing Middle Housing Fund**, a \$50 million state program (using ARPA funds) to subsidize housing for moderate-income households. Rolled out by the state housing authority in 2022, it offers **gap financing grants** to developers building attainable homes (for incomes ~60–120% AMI) that wouldn't pencil out otherwise. In 2023 the fund was doubled to \$100 million. Very similar to Build For CT.
- **Montana (2019):** Established an **Affordable Housing Loan Program** via HB 16, using state coal tax trust funds to provide low-interest loans for workforce housing projects. Signed into law July 2019, the program authorized the Montana Housing Authority to issue below-market loans and loan guarantees to developers meeting affordability criteria. This credit enhancement lowers borrowing costs and risk for housing builders. Alongside, the same legislation set up a **Housing Land Acquisition fund** to help nonprofits and cities purchase land for affordable housing (a form of land banking).⁴⁶
- **Massachusetts (2021):** Expanded its **Housing Development Incentive Program (HDIP)** and state historic tax credits to stimulate private investment in housing, particularly in Gateway Cities. In 2021 the cap on HDIP—which offers tax credits for market-rate housing in weaker markets—was increased, and the state's **historic rehabilitation tax credit** was extended, aiding adaptive reuse housing projects. These tax policy tweaks reduce developers' tax burden (similar to TIFs or land value tax incentives) and have catalyzed downtown mill conversions into apartments.

⁴⁴ California Department of Housing and Community Development. (n.d.). *Infill Infrastructure Grant Program*. Retrieved March 25, 2025, from <https://www.hcd.ca.gov/grants-and-funding/programs-active/infill-infrastructure-grant>

⁴⁵ California Department of Housing and Community Development. (n.d.). *Regional Early Action Planning (REAP) Grants of 2021*. <https://www.hcd.ca.gov/grants-and-funding/programs-active/regional-early-action-planning-grants-of-2021>

⁴⁶ Montana Housing Coalition. (n.d.). *Advocacy*. Retrieved March 25, 2025, from <https://mthousingcoalition.org/advocacy/>

