

February 27, 2023

Esteemed Chairs Luxenberg and Moore,  
Members of the Housing Committee:

The Western Connecticut Council of Governments (WestCOG) appreciates the opportunity to comment on Raised Bill 6633, *An Act Concerning a Needs Assessment and Fair Share Plans for Municipalities to Increase Affordable Housing*.

### **WestCOG opposes this bill.**

In political science, “policy diffusion” refers to the phenomenon whereby good policies are copied by other jurisdictions, and bad ones are not. In the nearly five decades since state courts drove the creation of fair share in New Jersey, no other state has adopted it as a model. When it comes to housing policy, states liberally borrow from each other. The fact that no state besides New Jersey has adopted fair share speaks volumes. Fair share is bad policy, and it would be a mistake for Connecticut to go against the wisdom of its peers – who have taken a pass – and adopt it.

The bill will force municipalities to pay for the construction of housing that developers will not build on their own. Fair share does not provide new revenue, so these costs will come on the backs of local taxpayers. **A vote for Fair Share is a vote to raise property taxes.**

According to its sponsors, Fair share intends to create 120,000 new housing units for households with income levels down to 30% of area median income. At these levels, developers often cannot break even on building, even if the land is free. Fair share holds municipalities accountable for the disinterest of the private sector in building at a loss and would force local taxpayers to fund construction, even when the causes of such disinterest are beyond local control (e.g., interest rates, cost and lack of availability of labor and materials). This is not speculation – the advocates of fair share in fact point out that three in five units built under fair share in New Jersey have been “municipally sponsored.”

The costs to local governments to comply with fair share are staggering. 120,000 units represent a cost of between \$30 billion and \$60 billion<sup>1</sup>. Assuming that these units will require a 50% subsidy<sup>2</sup>, **the cost to local governments over the first ten years is between \$15 billion and \$30 billion, or an additional \$1,300 to \$2,600 in property taxes annually for each household** in the 162 cities and towns that fair share affects. This increase would result in Connecticut tying New Jersey for the highest property taxes in the nation.

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<sup>1</sup> Assuming a per-unit construction cost of \$250,000 and \$500,000, including all infrastructure.

<sup>2</sup> The midpoint of income thresholds under fair share is 50% of AML.

**Advocates** claim their fair share creates billions in benefits for the Connecticut economy, yet they **are silent on its impacts to municipal budgets, to the state’s economic competitiveness, and to household finances.**

These impacts may be consequential, given that Connecticut is a national outlier with respect to the property tax. Connecticut ranks third in the nation on the value of average property tax bills, surpassed only by Illinois and New Jersey<sup>3</sup>; additionally, cities and towns in Connecticut are more reliant on the property tax than municipalities in any other state. Furthermore, the property tax has been found to be regressive with respect to income<sup>4</sup> and itself poses a barrier to affordability, accounting for ca. 22% of a typical monthly housing payment. In raising the property tax, fair share exacerbates the state’s overdependence on this tax and the ills it produces, including challenges to business retention and growth and housing cost burdens.

Fair share advocates claim that 100,000 jobs are going unfilled in Connecticut because workers cannot find housing yet do not provide any evidence to support such an assertion. Yes, Connecticut has a labor shortage, but so does every other state; in fact, 36 states have a higher rate of unfilled jobs than Connecticut does.<sup>5</sup>

Likewise, advocates claim that fair share will “drive down costs” but do not provide evidence that fair share has done this in New Jersey. **Since fair share was instituted, housing costs have grown 30% faster in New Jersey than in Connecticut.**<sup>6</sup> The average home in New Jersey is now over \$100,000 more expensive than the average home in Connecticut<sup>7</sup>; and the average apartment monthly rent is nearly \$200 more than in Connecticut<sup>8</sup>. Given these facts, perhaps New Jersey should copy Connecticut’s policies and not vice-versa.

The method by which fair share would compel municipalities to build, at public expense, housing that the market does not is litigation. The bill would require the state to consult with advocates in setting fair share targets, impose sales price caps that make development uneconomic for the private sector, impose unrealistic deadlines on municipalities to meet targets (ten years to build 120,000 units, and only three years before the first targets must be met), and give advocates unprecedented standing to sue when municipalities inevitably fail to meet those targets, including provisions for award of punitive damages and attorneys’ fees. Given how unrealistic the fair share targets are, most if not all 162 municipalities subject to such targets may be subject to litigation.

**Fair share sets local governments up to fail and, as has been demonstrated in New Jersey, to be sued. Fair share privileges a narrow group of special interests – advocates and those who would fair share units – before the courts and steers local taxpayer revenue to them.**

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<sup>3</sup> See WalletHub’s [Property Taxes by State](#).

<sup>4</sup> For instance, see the Connecticut Department of Revenue Services’ [Tax Incidence Report](#).

<sup>5</sup> Computed from [Table 1. Job openings levels and rates for total nonfarm by state, seasonally adjusted - 2022 M12 Results \(bls.gov\)](#) and [State Population Totals: 2020-2022 \(census.gov\)](#).

<sup>6</sup> Computed from [Interactive Census of Governments State & Local Finance Database | Urban Data Catalog](#).

<sup>7</sup> Zillow. ZHVI for all homes, smoothed and seasonally adjusted, for 1/31/2022. <https://www.zillow.com/research/data/>.

<sup>8</sup> Statista Research. Average monthly apartment rent by state in February 2021. 2022. <https://www.statista.com/statistics/1219332/average-apartment-rent-usa-by-state/>.

WestCOG does not dispute that many households in Connecticut face housing cost burdens. However, three points are salient in this context: a) very few of these households are homeless<sup>9</sup>, b) these households have not necessarily indicated any desire to leave their communities and move across the state, and c) existing homes are always more affordable than an equivalent new build.

If the problem Connecticut faces is households not being able to afford their housing payments, the simplest, most cost-effective solution, and the one that respects with the greatest dignity the agency of these households in making their own decisions about where to live, is to help those households out with their housing payments. This can be achieved through policies such as:

1. Ensuring that all housing vouchers are utilized, and that housing vouchers adequately cover the cost of housing, including in high-cost areas.
2. Expanding voucher and other rental and mortgage assistance programs.
3. Providing income supports, including expansions to the Earned Income Tax Credit.
4. Raising the minimum wage.

In addition to such household-first policies, the state may also wish to consider policies such as:

5. Providing assessment reductions for homes rented by landlords at below-market rate for the duration of the rental, with such units potentially counting toward the 10% threshold under CGS §8-30g.
6. Working with lenders to create easy-to-use financing programs for existing homeowners to create accessory apartments.
7. Expanding funding to state, regional, and/or local housing trust funds. Housing trust funds are a leading way nationwide to fund new, deeply affordable housing and are frequently funded out of conveyance taxes or transfer fees. Construction through housing trust funds is a lower cost, more transparent approach than through special interest litigation.
8. Allocating additional housing unit equivalent points under §8-30g for affordable units built near train and bus rapid transit stations, so households may live car-free, dramatically reducing their household transportation costs (which average 20% of household income for lower income households).

Should you have questions, please do not hesitate to contact me.

Thank you for your consideration.



Francis R. Pickering  
Executive Director

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<sup>9</sup> Connecticut has approximately 2,500 homeless persons. [2021-Report-FINAL.pdf \(cceh.org\)](#)