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# History and the Economy Don't Support New Housing

This discussion must start with the economy.

In just nine days, the Federal Reserve Bank lowered the federal funds interest rate by 1.25 percent in January. Savings are low. Debt is high. Credit is tight. Banks are not lending. Fuel prices are projected to be \$4 per gallon by summer. Energy costs are up and going higher with the recent approval of a 1.9 percent rate hike for CL&P. The subprime mortgage scandal will make the savings and loan scandal of the 1980s look like child's play. The Labor Department reported last week that for the first time since 2003 the country created fewer jobs — a most worrisome indicator for economists.

Of all the bad economic news, a relevant report was issued by the Commerce Department last week. Sales of new homes plunged by a record amount in 2007 while prices posted the weakest gains in 16 years, "demonstrating the troubles builders are facing with a huge backlog of unsold homes," the report said. This slump marks the worst sales year on record, surpassing the old mark set in 1980.

The report, wrote the Associated Press, "reinforced the view that housing is currently undergoing its worst downturn in more than two decades, with the slump threatening to surpass the severe housing recession of the early 1980s."

The Commerce report continues to say prices will likely continue to fall as builders struggle to work down the glut of homes. Add to this the severe credit crunch as banks and other lenders tighten the standards

for lending and the mortgage defaults that dump even more homes into the market and we have a mess.

It is in this context that citizens need to review how Winsted moves into the future.

Enter Aurora Estates, arguably one of the most ambitious housing developments in Winsted's history. The plan includes a golf course and more than 750 homes, 615 of which are proposed to be "age restricted" — a cunning way to appease taxpayers' concerns about the burden of more children in the school system — but the restriction cannot pos-

## The Civic Beat CHARLENE LAVOIE

sibly be enforced in the long run. A staggering number of these homes, 450, have a proposed selling price of \$350,000 to \$450,000.

All this activity has one town official bellowing that, "these projects are going to alleviate property tax problems for a long time." But the mantra of "grow the tax base at any cost" is promoted by the real estate and building industry. Contrary to the cheerleaders who rely on hype and bluster rather than facts, residential developments generally cost the community more than they generate in property taxes.

Impact studies (none of which were done on the recent proposed residential developments) show that

increased residential development does not generate more property tax revenues. In fact, more housing does not generate as much in tax revenue as it costs the town. These studies also report that it results in additional costs for community services — especially education but also road maintenance, police and fire protection and other social services.

Specific studies of southern New England towns show that for every \$1 of revenue raised from the residential sector towns spent an average of \$1.14 on residential services. See an executive summary at the Web site [snefci.org](http://snefci.org).

On the other hand, for every open space dollar of revenue, towns spend an average of only 42 cents on public services, leaving 58 cents to offset municipal expenses. Open space land more than pays for itself. It helps cover the town's net loss expenses on other land uses and provides other benefits.

But let's, for argument's sake, agree that Aurora Estates could provide more property taxes. This would only be if these homes are purchased. The worst-case scenario is that these units will not be sold. After all, would you spend \$350,000-\$450,000 to live crowded next to your neighbor, with a one-car garage and yearly association fees? Who will be able to afford the lower cost homes with fewer amenities and inadequate parking? What happens when the units either do not sell or owners cannot afford the local property taxes or their mortgage payments?

If this project fails, will the state or

federal government turn it into subsidized housing — a good deal for the developer — but, in the end, a further tax burden on the local community? I asked one of the Aurora team members if they would spend that kind of money on a home in Winsted, bordering noisy Route 8 and next door to the O&G and Haynes quarries. After a brief hesitation, he candidly answered that he would not.

The Wallens Hill project of the 1990s was touted as a boon to local tax revenues. Yet, with homes selling at \$300,000 and up, this project is still not completed and only two of the homes have been sold — even with the gorgeous views and quiet area of Wallens Hill as selling points. This was during the rah-rah economy and housing boom of the 1990s. And what about Clockmakers Hill? Despite an age restriction and a selling price starting at \$209,000, only 20 of the 47 units have been sold.

All this painfully demonstrates that the outdated and ill-suited zoning regulations in Winsted have never helped this town envision its future, develop for success, or protect it from inappropriate development. We have the same argument time after time and the same experience. Developers get their project approvals but does the town benefit?

In this economy, we have to be smarter. Let's start with a community discussion about imagining Winsted, then begin working on the nuts and bolts of recovering our town, starting with the zoning regulations.

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