



House of Representatives

General Assembly

File No. 711

January Session, 2001

Substitute House Bill No. 6720

House of Representatives, May 9, 2001

The Committee on Appropriations reported through REP. DYSON of the 94th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT PROVIDING FINANCIAL ASSISTANCE TO NEIGHBORHOOD REVITALIZATION ZONES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (a) There is established an account to be known as
2 the "neighborhood revitalization zone revolving loan program
3 account". The account shall contain any moneys required by law to be
4 deposited in the account. Any balance remaining in the account at the
5 end of any fiscal year shall be carried forward in the account for the
6 fiscal year next succeeding. The account shall be used to make loans
7 pursuant to subsection (b) of this section and to pay reasonable and
8 necessary expenses incurred in administering loans under this section.

9 (b) The account shall be administered and used by the Secretary of
10 the Office of Policy and Management for interest-free loans or deferred
11 loans to property owners for costs incurred in making repairs to
12 deteriorated property, as defined in section 7-600 of the general
13 statutes, located within the boundaries of a neighborhood

14 revitalization zone established pursuant to sections 7-600 to 7-602,
15 inclusive, of the general statutes.

16 (c) No loan made pursuant to subsection (b) of this section shall be
17 in an amount in excess of four thousand dollars or for a term of more
18 than two years. Each such loan shall be repaid in monthly installments
19 and shall bear interest at a rate to be determined by the Office of Policy
20 and Management, but not to exceed six per cent per year. The secretary
21 shall assess a penalty of five per cent of the amount of any monthly
22 payment for any such payment which remains unpaid fifteen days
23 after the due date of such payment and may assess such interest on
24 such late payments as specified in a loan agreement.

25 (d) The secretary may administer said account directly or through a
26 contract with a private nonprofit agency. The secretary shall adopt
27 such regulations, in accordance with the provisions of chapter 54 of the
28 general statutes, as may be necessary to administer the program.

29 Sec. 2. (NEW) There is created a neighborhood revitalization zone
30 technical assistance grant-in-aid program to be administered by the
31 Secretary of the Office of Policy and Management for the purpose of
32 providing financial assistance, within available appropriations, for the
33 benefit of neighborhood revitalization zone planning committees
34 established pursuant to section 7-601 of the general statutes. Such
35 financial assistance shall be used to assist neighborhood revitalization
36 zone planning committees with the costs of administrative expenses
37 and technical assistance associated with the preparation of strategic
38 plans pursuant to said section 7-601. The secretary shall not certify a
39 grant in an amount exceeding ten thousand dollars. No grant shall be
40 in excess of fifty thousand dollars.

41 Sec. 3. (NEW) There is created a neighborhood revitalization zone
42 grant-in-aid program to be administered by the Secretary of the Office
43 of Policy and Management, for the purpose of providing financial
44 assistance, within available appropriations, or from the proceeds of

45 bonds issued as provided in section 4 of this act, to neighborhood
46 revitalization zone committees to implement strategic plans developed
47 pursuant to sections 7-600 to 7-602, inclusive, of the general statutes.
48 The secretary shall not certify a grant in an amount exceeding two
49 hundred fifty thousand dollars. No neighborhood revitalization
50 committee may receive a grant in more than four consecutive fiscal
51 years.

52 Sec. 4. (a) For the purposes described in subsection (b) of this
53 section, the State Bond Commission shall have the power, from time to
54 time, to authorize the issuance of bonds of the state in one or more
55 series and in principal amounts not exceeding in the aggregate twelve
56 million dollars.

57 (b) The proceeds of the sale of said bonds, to the extent of the
58 amount stated in subsection (a) of this section, shall be used by the
59 Secretary of the Office of Policy and Management for the purpose of
60 grants to neighborhood revitalization committees pursuant to section 3
61 of this act.

62 (c) All provisions of section 3-20 of the general statutes, or the
63 exercise of any right or power granted thereby, which are not
64 inconsistent with the provisions of this section are hereby adopted and
65 shall apply to all bonds authorized by the State Bond Commission
66 pursuant to this section, and temporary notes in anticipation of the
67 money to be derived from the sale of any such bonds so authorized
68 may be issued in accordance with said section 3-20 and from time to
69 time renewed. Such bonds shall mature at such time or times not
70 exceeding twenty years from their respective dates as may be provided
71 in or pursuant to the resolution or resolutions of the State Bond
72 Commission authorizing such bonds. None of said bonds shall be
73 authorized except upon a finding by the State Bond Commission that
74 there has been filed with it a request for such authorization which is
75 signed by or on behalf of the Secretary of the Office of Policy and

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Potential Significant Cost¹

Affected Agencies: Office of Policy and Management

Municipal Impact: Potential Revenue Gain

Explanation

State Impact:

The bill could result in a significant cost to the state by establishing programs within the Office of Policy and Management (OPM) to provide financial assistance (in the form of grants or loans) to: (1) neighborhood revitalization zone (NRZ) committees for the purpose of developing and implementing strategic plans; and (2) people who own deteriorated property located in NRZs to repair said property.

Grant Programs

The program established in Section 2 of the bill provides up to \$10,000 to cover administrative and technical assistance costs associated with developing a strategic plan. The bill requires OPM to implement this program within available appropriations. It is uncertain that OPM would be able to implement this program without additional funds. However, it could divert resources from existing

¹ OFA defines significant cost as exceeding \$100,000.

programs to fund the grants established by the bill. The types of grants or sources of funding that could be reduced are unknown.

The program established in Section 3 of the bill provides grants of up to \$250,000 to implement the strategic plans of NRZs. The bill authorizes the issuance of up to \$12 million in state general obligation bonds in order to fund this program. The interest cost to bond this amount for twenty years, assuming a 5.25% interest rate, is \$6.6 million. Currently, nineteen NRZs have submitted their plans to OPM and presumably could apply for grants to implement them.

Revolving Loan Program

The bill also creates an NRZ revolving loan program to be administered by OPM directly or through a private non-profit agency to provide interest-free or deferred loans in amounts up to \$4,000² to property owners for costs to repair deteriorated property³ located within an NRZ. The bill does not specify how these loans are to be funded. The cost to administer the program and fund the loans could be significant.

Nine municipalities in the state have two or more NRZs (see the Table below). The number of deteriorated properties that lie within existing NRZs is estimated to be 2,000 - 5,000. This number includes boarded up properties and properties that are unfit for human occupancy.⁴ If the owners of five percent of these properties apply and are approved for loans to repair their property, the cost to the state would be \$400,000. The bill does not specify that an owner of deteriorated property may or may not be approved for multiple loans to repair one property. If owners can take out multiple loans, the cost of the program would increase significantly.

² It is unclear if the maximum amount applies to principal only, or principal and interest. It is also unclear what a deferred loan constitutes.

Municipality	Number of NRZs
Bridgeport	3
Colchester	1
E. Hartford	2
Groton	1
Hamden	2
Hartford	17
Middletown	1
New Britain	3
New Haven	7
New London	1
Norwich	2
Stamford	2
Waterbury	7
Windham	1
Total	50

Municipal Impact:

Municipalities could experience an increase in property tax revenue over time as deteriorated properties are refurbished and their value increases.

³ Pursuant to CGS Section 7-600, "deteriorated property" means property in serious non-compliance with state and local health and safety codes and regulations.

⁴ Hartford, for example, had 433 boarded up buildings in November, 2000.

OLR Bill Analysis

sHB 6720

AN ACT PROVIDING FINANCIAL ASSISTANCE TO NEIGHBORHOOD REVITALIZATION ZONES.**SUMMARY:**

This bill adds three new financial assistance programs to the existing Neighborhood Revitalization Zone (NRZ) statute. The bill creates:

1. a grant program, funded through existing appropriations and \$12 million in general obligation bonds, for grants up to \$250,000 to NRZ committees to implement their neighborhood strategic plans;
2. a technical assistance grant program, funded through existing appropriations, for grants up to \$10,000 to NRZ committees for technical assistance and administrative expenses related to developing strategic plans (see COMMENT); and
3. a revolving loan program for interest-free or deferred loans of up to \$4,000 to property owners to repair deteriorated property in NRZs.

As with the existing NRZ program, the bill's programs are administered by the Office of Policy and Management (OPM).

EFFECTIVE DATE: July 1, 2001

GRANT PROGRAMS***Implementation Grants***

The bill creates grants to NRZ committees to implement their strategic plans, which are aimed at revitalizing their neighborhoods. Under law, NRZ committees develop revitalization plans and submit them to the municipal legislative body and OPM for approval. Under the bill, the OPM secretary cannot authorize a grant amount of more than \$250,000

and no NRZ committee can receive a grant for more than four consecutive fiscal years.

Existing NRZ Grants

Current law authorizes a grant program for assistance to NRZ committees for neighborhood organizational development, economic development and business planning, specialized curriculum development, leadership training, technology use, property management, landlord-tenant relations, and other activities the statewide NRZ advisory board deems appropriate. These grants are limited to a maximum of \$10,000.

REVOLVING LOAN PROGRAM

The bill creates an NRZ revolving loan program for interest-free or deferred loans of up to \$4,000 to property owners to repair deteriorated property within the boundaries of NRZs. (The bill does not specify what may be deferred, payments on the interest, the principal, or both.) No loan can be for a term of more than two years and must be repaid in monthly installments. OPM is authorized to set the interest rate at or below 6%. The OPM secretary must assess a penalty of 5% of any amount that remains unpaid 15 days after the due date and may continue charging interest on the amount unpaid if stated in the loan agreement.

OPM can choose to administer the program directly or through a contract with a private nonprofit agency. The secretary must adopt regulations necessary to administer the program.

BACKGROUND

NRZ Committees

NRZ committees are groups of residents, property owners, and business organizations in municipally designated, distressed neighborhoods (revitalization zones) that develop plans and work with local, state, and federal governments to revive the area. NRZ committees have certain powers to pursue their plans, including (1) the authority to seek waivers from codes and regulations that impede

projects and (2) the ability to seize property by eminent domain. OPM coordinates the state response to assist NRZ committees. There are 50 active NRZs in 14 cities and towns.

Related Bill

SB 1210 authorizes \$2 million annually in corporate tax credits for contributions made toward the rehabilitation of one- to six-family dwelling units in locally designated NRZs. On April 20, the Finance, Revenue and Bonding Committee reported the bill out favorably.

COMMENT

Technical Assistance Grants

The bill creates technical assistance grants to NRZ committees for technical assistance and administrative expenses specifically related to developing their strategic plans. The bill appears to include a contradiction as Section 2 states both that (1) the OPM secretary cannot approve a grant of more than \$10,000, and (2) no grant can exceed \$50,000. The phrasing of the \$10,000 grant language is consistent with the other parts of the bill that specify the OPM secretary must certify (formally request payment from the state comptroller) the grants and loans.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute Change of Reference
Yea 17 Nay 0

Appropriations Committee

Joint Favorable Report
Yea 48 Nay 3