



Senate

General Assembly

File No. 738

January Session, 2001

Substitute Senate Bill No. 1159

Senate, May 10, 2001

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING FLEXIBLE HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS.

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

- 1 Section 1. (NEW) (a) For purposes of this section:
- 2 (1) "Affordable housing" means affordable housing, as defined in
3 section 8-39a of the general statutes;
- 4 (2) "Commissioner" means the Commissioner of Economic and
5 Community Development;
- 6 (3) "Department" means the Department of Economic and
7 Community Development;
- 8 (4) "Eligible applicant" means: (A) A nonprofit entity; (B) a
9 municipality; (C) a housing authority; (D) a business corporation
10 incorporated pursuant to chapter 601 of the general statutes or any

11 predecessor statutes thereto or authorized to do business pursuant to
12 said chapter 601 having as one of its purposes the construction,
13 acquisition, rehabilitation or operation of affordable housing, and
14 having a certificate or articles of incorporation approved by the
15 commissioner; (E) any partnership, limited partnership, limited
16 liability company, joint venture, sole proprietorship, trust or
17 association having as one of its purposes the construction, acquisition,
18 rehabilitation or operation of affordable housing, and having basic
19 documents of organization approved by the commissioner; or (F) any
20 combination thereof;

21 (5) "Eligible costs" means costs relating to the planning,
22 implementation and completion of an eligible project; and

23 (6) "Eligible project" means a project designed for the purpose of
24 providing affordable housing, and shall include, but not be limited to,
25 (A) acquisition, construction, rehabilitation, repair and maintenance of
26 residential or mixed use structures, (B) acquisition, construction,
27 rehabilitation, repair and maintenance of related infrastructure,
28 facilities and amenities incidental and pertinent to the provision of
29 affordable housing and intended primarily to serve the residents of the
30 affordable housing project, that may include, but not be limited to, a
31 community room, laundry, day care space, computer center,
32 management office or playground, or (C) demolition, renovation or
33 redevelopment of vacant buildings or related infrastructure.

34 (b) The state, acting by and in the discretion of the commissioner,
35 may enter into a contract for state financial assistance for any eligible
36 project in the form determined by the commissioner, including, but not
37 limited to, a grant, loan, loan guarantee, deferred loan or any
38 combination thereof.

39 (c) (1) An application for financial assistance shall be in the form
40 and manner prescribed by the commissioner. In determining whether
41 and to what extent to fund an application received from eligible

42 applicants, the commissioner may consider relevant factors including,
43 but not limited to, the following: (A) The ability of the project to
44 affirmatively further racial and economic integration, including
45 expanding multifamily rental housing opportunities in suburban and
46 rural communities; (B) the ability of the project to meet the housing
47 needs of the lowest income populations; (C) the ability of the project to
48 revitalize urban neighborhoods, including expanding homeownership
49 and increasing multifamily rehabilitation in the central cities; (D) the
50 ability of the project to provide a full range of supportive housing
51 options for people with special needs or who are at risk of becoming
52 homeless; (E) impact of the project on the local neighborhood, region
53 and the state; (F) short-term and long-term benefits of the project; (G)
54 impact on affordable housing needs of the neighborhood, community,
55 municipality and region; (H) project feasibility; (I) potential for
56 leveraging other public and private investments; (J) applicant's ability
57 to implement the project in a timely manner; (K) the relative need for
58 the project; (L) the applicant's financial commitment to the project,
59 except in the case of a nonprofit entity or a housing authority created
60 pursuant to section 8-40 of the general statutes; and (M) the extent to
61 which the project will advance the public purposes set forth in this
62 subdivision.

63 (2) (A) On or before December 31, 2002, and annually thereafter, the
64 commissioner shall submit a report to the select committee of the
65 General Assembly having cognizance of matters relating to housing,
66 which report shall include a description of each project funded under
67 this program, the other sources of financing for each project and the
68 relevant factors considered by the commissioner pursuant to this
69 subsection in determining to provide such funding.

70 (B) On or before December 31, 2001, and quarterly thereafter, the
71 commissioner shall submit to the Housing Advisory Committee a
72 report that shall include a description of each project funded under
73 this program, the sources of financing for each project, the relevant

74 factors considered by the commissioner pursuant to this subsection in
75 determining to provide such funding, and such other information as
76 the Housing Advisory Committee may request.

77 (d) The commissioner shall review and approve the site and the
78 estimated total development budget, including the nature and amount
79 of financial assistance to be provided from all sources and by the state.
80 The commissioner may review and approve any additional factors
81 determined to be necessary or appropriate to protect the state's
82 interests. Upon determination by the commissioner that the eligible
83 costs are necessary and reasonable, and, in the case of financial
84 assistance provided from the proceeds of the state's bonds upon
85 preliminary approval by the State Bond Commission pursuant to the
86 provisions of section 3-20 of the general statutes, or, in the case of
87 financial assistance provided from a funding source other than the
88 state's bonds upon the approval by the Governor of an allotment for
89 such purpose, the state, acting by and through the commissioner, may
90 provide the financial assistance for such eligible costs.

91 (e) Financial assistance provided shall be upon terms and conditions
92 not inconsistent with the provisions of this section which the
93 commissioner shall establish as prudent and necessary to protect the
94 state's interests. Such terms and conditions may include, separately or
95 in combination, without limitation: (1) The requirements of funds from
96 other sources, including, without limitation, financing obtained from
97 quasi-public agencies, as defined in section 1-120 of the general
98 statutes, federal and local government agencies and private for-profit
99 and not-for-profit institutions; (2) participation interests; (3) subsidy
100 recapture provisions; and (4) resale and prepayment, job retention,
101 residency, use and affordability restrictions. Such terms and conditions
102 and compliance with such terms and conditions may be documented
103 and secured as the commissioner shall determine.

104 (f) (1) The commissioner may take all reasonable steps and exercise

105 all available remedies necessary or desirable to protect the obligations
106 or interests of the state, including, but not limited to, amending any
107 term or condition of a contract or agreement, provided such
108 amendment is allowed or agreed to pursuant to such contract or
109 agreement, or purchasing or redeeming, pursuant to foreclosure
110 proceedings, bankruptcy proceedings or in other judicial proceedings,
111 any property on which such commissioner or the department holds a
112 mortgage or other lien, or in which such commissioner or the
113 department has an interest.

114 (2) The commissioner may request, inspect and audit reports, books
115 and records and any other financial or project-related information with
116 respect to eligible applicants that receive financial assistance,
117 including, without limitation, resident or employment information,
118 financial and operating statements and audits. The commissioner may
119 investigate the accuracy and completeness of such reports, books and
120 records

121 (3) Notwithstanding any provision of the general statutes, the
122 commissioner is authorized, for purposes of the program established
123 under this section, to assess and collect application fees of no more
124 than two hundred fifty dollars to recover all or part of the costs or
125 expenses incurred by the state in reviewing applications for financial
126 assistance.

127 (g) The commissioner may adopt such regulations, in accordance
128 with chapter 54 of the general statutes, as are necessary for the
129 implementation of this section.

130 Sec. 2. Subsection (b) of section 8-385 of the general statutes is
131 repealed and the following is substituted in lieu thereof:

132 (b) The Housing Advisory Committee shall: (1) Advise the General
133 Assembly, the Governor, the Commissioner of Economic and
134 Community Development and the Connecticut Housing Finance

135 Authority on matters relating to housing programs and policies; (2)
136 provide legislative recommendations relating to housing matters to the
137 Commissioner of Economic and Community Development, the
138 Connecticut Housing Finance Authority and the General Assembly; (3)
139 monitor the housing-related activities of the regional planning
140 agencies under chapter 127; [and] (4) provide oversight for activities
141 undertaken by said commissioner pursuant to the program established
142 in section 1 of this act; and (5) promote coordination on housing
143 matters among state agencies.

144 Sec. 3. Section 29 of special act 95-20 is amended to read as follows:

145 The proceeds of the sale of said bonds shall be used by the
146 Department of Housing for the purposes hereinafter stated:

147 Housing development and rehabilitation, including moderate cost
148 housing, moderate rental, congregate and elderly housing, urban
149 homesteading, community housing development corporations,
150 housing purchase and rehabilitation (no more than \$10,000,000 of the
151 total), housing for the homeless, housing for low income persons,
152 limited equity cooperatives and mutual housing projects, removal and
153 abatement of hazardous material, including asbestos and lead-based
154 paint in residential structures, emergency repair assistance for senior
155 citizens, housing land bank and land trust, housing and community
156 development, predevelopment grants and loans, reimbursement for
157 state and federal surplus property, private rental investment mortgage
158 and equity program, housing infrastructure, septic system repair loan
159 program, acquisition and related rehabilitation, projects under the
160 program established in section 1 of this act, and participation in federal
161 programs, including administrative expenses associated with those
162 programs eligible under the general statutes, not exceeding
163 \$40,000,000.

164 Sec. 4. Section 9 of special act 97-1 of the June 5 special session is
165 amended to read as follows:

166 The proceeds of the sale of said bonds shall be used by the
167 Department of Economic and Community Development for the
168 purposes hereinafter stated:

169 Housing development and rehabilitation, including moderate cost
170 housing, moderate rental, congregate and elderly housing, urban
171 homesteading, community housing development corporations,
172 housing purchase and rehabilitation (no more than \$10,000,000 of the
173 total), housing for the homeless, housing for low income persons,
174 limited equity cooperatives and mutual housing projects, removal and
175 abatement of hazardous material including asbestos and lead-based
176 paint in residential structures (no more than \$2,500,000 of the total),
177 emergency repair assistance for senior citizens, housing land bank and
178 land trust, housing and community development, predevelopment
179 grants and loans, reimbursement for state and federal surplus
180 property, private rental investment mortgage and equity program,
181 housing infrastructure, septic system repair loan program, acquisition
182 and related rehabilitation, projects under the program established in
183 section 1 of this act, and participation in federal programs, including
184 administrative expenses associated with those programs eligible under
185 the general statutes, not exceeding \$18,000,000.

186 Sec. 5. Section 28 of special act 97-1 of the June 5 special session, as
187 amended by section 76 of special act 98-9, is amended to read as
188 follows:

189 The proceeds of the sale of said bond shall be used by the
190 Department of Economic and Community Development for the
191 purposes hereinafter stated:

192 Housing development and rehabilitation, including moderate cost
193 housing, moderate rental, congregate and elderly housing, urban
194 homesteading, community housing development corporations,
195 housing purchase and rehabilitation (no more than \$10,000,000 of the
196 total), housing for the homeless, housing for low income persons,

197 limited equity cooperatives and mutual housing projects, removal and
198 abatement of hazardous material including asbestos and lead-based
199 paint in residential structures (no more than \$2,500,000 of the total),
200 emergency repair assistance for senior citizens, housing land bank and
201 land trust, housing and community development, predevelopment
202 grants and loans, reimbursement for state and federal surplus
203 property, private rental investment mortgage and equity program,
204 housing infrastructure, septic system repair loan program, acquisition
205 and related rehabilitation, projects under the program established in
206 section 1 of this act, and participation in federal programs, including
207 administrative expenses associated with those programs eligible under
208 the general statutes, not exceeding \$20,000,000.

209 Sec. 6. Section 9 of public act 99-242 is amended to read as follows:

210 The proceeds of the sale of said bonds shall be used by the
211 Department of Economic and Community Development for the
212 purposes hereinafter stated:

213 Housing development and rehabilitation, including moderate cost
214 housing, moderate rental, congregate and elderly housing, urban
215 homesteading, community housing development corporations,
216 housing purchase and rehabilitation, housing for the homeless,
217 housing for low income persons, limited equity cooperatives and
218 mutual housing projects, abatement of hazardous material including
219 asbestos and lead-based paint in residential structures, emergency
220 repair assistance for senior citizens, housing land bank and land trust,
221 housing and community development, predevelopment grants and
222 loans, reimbursement for state and federal surplus property, private
223 rental investment mortgage and equity program, housing
224 infrastructure, septic system repair loan program, acquisition and
225 related rehabilitation, loan guarantees for private developers of rental
226 housing for the elderly, projects under the program established in
227 section 1 of this act, and participation in federal programs, including

228 administrative expenses associated with those programs eligible under
229 the general statutes, not exceeding \$5,000,000.

230 Sec. 7. Section 28 of public act 99-242 is amended to read as follows:

231 The proceeds of the sale of said bonds shall be used by the
232 Department of Economic and Community Development for the
233 purposes hereinafter stated:

234 Housing development and rehabilitation, including moderate cost
235 housing, moderate rental, congregate and elderly housing, urban
236 homesteading, community housing development corporations,
237 housing purchase and rehabilitation, housing for the homeless,
238 housing for low income persons, limited equity cooperatives and
239 mutual housing projects, abatement of hazardous material including
240 asbestos and lead-based paint in residential structures, emergency
241 repair assistance for senior citizens, housing land bank and land trust,
242 housing and community development, predevelopment grants and
243 loans, reimbursement for state and federal surplus property, private
244 rental investment mortgage and equity program, housing
245 infrastructure, septic system repair loan program, acquisition and
246 related rehabilitation, loan guarantees for private developers of rental
247 housing for the elderly, projects under the program established in
248 section 1 of this act, and participation in federal programs, including
249 administrative expenses associated with those programs eligible under
250 the general statutes, not exceeding \$5,000,000.

HSG	<i>Joint Favorable Subst. C/R</i>	PD
PD	<i>Joint Favorable C/R</i>	FIN
FIN	<i>Joint Favorable Subst.</i>	

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: See Explanation Below

Affected Agencies: Department of Economic and Community Development, Office of the State Treasurer

Municipal Impact: None

Explanation

State Impact:

This bill creates a new program within the Department of Economic and Community Development (DECD) that allows the department to provide financial assistance to a variety of affordable housing and related projects. This assistance may consist of grants, loans, loan guarantees, and deferred loans. The bill expands the allowed activities of several previously issued bond authorizations for housing related initiatives (totaling \$32.9 million - see below) to include this new program.

As this new program will utilize bond funds already authorized, it is not expected that this bill will result in additional programmatic costs for DECD. Likewise, it is expected that DECD will be able to administer this new program within the current administrative capacity dedicated to housing development and rehabilitation.

The bill further requires DECD to periodically submit reports

concerning this new program to the General Assembly and the Housing Advisory Committee. It is expected that DECD can produce these reports within its anticipated budgetary resources.

BOND FUNDS

The table below shows the current unallocated balances for the

***Unallocated Balances for Housing Program
Bond Fund Accounts***

Bill Section	Act Reference	Unallocated Balance as of 5/9/01
3	SA 95-20, Sec. 29	\$142,981
4	SA 97-1 (J5SS), Sec. 9	\$5,080,000
5	SA 97-1 (J5SS), Sec. 28	\$17,753,875
6	PA 99-242, Sec. 9	\$5,000,000
7	PA 99-242, Sec. 28	\$5,000,000

housing program bond fund accounts mentioned in the bill.

To the degree that the program created in the bill causes General Obligation (GO) bond funds to be expended more rapidly than they otherwise would have been, debt service costs will increase in future years

Municipal Impact:

The bill does not change the amount of bond funding available for housing related activities, only the potential manner of distribution. Therefore, although housing authorities and municipalities are identified as eligible recipients of the program established by this bill, it is not expected that its passage will result in any additional costs or savings.

OLR Bill Analysis

sSB 1159

AN ACT CONCERNING FLEXIBLE HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS.**SUMMARY:**

This bill creates a new program under which the Department of Economic and Community Development (DECD) commissioner may provide financial assistance to fund a wide range of affordable housing projects using up to \$88 million in existing state bond authorizations. It adds this new program to the existing list of eligible housing and housing-related programs under these bond authorizations. Under the bill, the commissioner decides what form and amount of financial assistance to provide for eligible projects. The assistance can include: (1) grants, (2) loans, (3) loan guarantees, (4) deferred loans, or (5) any combination of these. The bill defines eligible applicants and eligible projects.

The bill authorizes the commissioner to:

1. consider a list of 13 possible criteria when evaluating applications for assistance;
2. establish terms and conditions tied to the assistance;
3. take all reasonable steps to protect the state's obligations and interests, including amending any term or agreement provided the amendment is allowed under the agreement;
4. review and approve proposed project sites and total developmental budgets, not just the state aid portion;
5. request, audit, and investigate the accuracy of eligible applicants' reports, books, records, and any other financial or project-related information;

6. assess and collect up to \$250 in application fees, and
7. adopt regulations as necessary to carry out the new program.

The bill also requires the commissioner to submit by December 31, 2002, and annually after that, a program report to the Select Committee on Housing. The report must include a description of each project funded under the program, non-state sources of funding for each project, and relevant factors considered by the commissioner in his funding decisions.

Finally, the bill expands the state Housing Advisory Committee's (HAC) duties to include overseeing the program. It requires the commissioner to provide HAC, beginning December 31, 2001, with quarterly reports detailing the projects funded and including any other information HAC may request. By law, HAC provides the legislature and the executive branch with advice and recommendations on housing policy legislation.

EFFECTIVE DATE: October 1, 2001

THE PROGRAM

The bill gives the commissioner broad discretion to contract with specified people, businesses, and organizations for financial assistance to plan, implement, and complete affordable housing and related projects. The commissioner must determine that the funded costs are necessary and reasonable. The source of the funds requires additional approvals: (1) State Bond Commission preliminary approval is necessary to commit bond proceeds, and (2) the governor's approval is necessary when the funding source is other than bonds.

Affordable Housing Defined

In the bill, "affordable housing" is defined as housing where individuals or families pay 30% or less of their annual income and their income is at or below the area median income for the town where the housing is located, as determined by the federal Department of Housing and Urban Development. This is the definition found in the statute creating local housing authorities.

Under the bill, affordable housing projects include: (1) acquisition, construction, rehabilitation, repair, and maintenance of residential or mixed-use structures and related infrastructure and facilities intended to serve affordable housing residents (such as a community room, laundry, or day care area) and (2) demolition, renovation, or redevelopment of vacant buildings or related infrastructure.

Eligible Applicants

Eligible applicants are (1) nonprofit corporations or agencies; (2) municipalities; (3) housing authorities; (4) commissioner-approved business corporations incorporated or authorized to do business in this state that develop or operate affordable housing; (5) any commissioner-approved partnership, limited liability company, joint venture, sole proprietorship, trust, or association that develops or operates affordable housing; or (6) any combination of the above.

Applications and Funding Criteria

The commissioner must determine the application form. When determining whether to fund a project, he may consider its (1) ability to further racial and economic integration, including expanding multifamily rental housing in suburban and rural settings; (2) ability to meet the housing needs of the lowest income populations; (3) ability to revitalize urban neighborhoods, including expanding home ownership, and increasing multifamily rehabilitation in the central cities; (4) ability to provide supportive housing options for people with special needs or who are at risk of becoming homeless; (5) impact on the local neighborhood, region, and the state; (6) short-term and long-term benefits; (7) impact on affordable housing needs of the neighborhood, community, municipality, and region; (8) feasibility; (9) potential for leveraging other public and private investments; (10) potential for timely implementation; (11) relative need; (12) underlying financial support from the applicant, except in the case of a nonprofit entity or a housing authority; and (13) potential to advance the bill's public purposes.

STATE INTEREST SAFEGUARDS

Terms and Conditions

The bill authorizes the commissioner to determine under what terms and conditions the assistance will be granted in order to protect the state's interests. The terms and conditions may include each or a combination of the following: (1) a requirement that funds also come from other sources, including any public, private, nonprofit, or for-profit organizations; (2) participation interests; (3) subsidy recapture provisions; and (4) resale and prepayment, job retention, residency, use, and affordability restrictions. The commissioner must determine how compliance with the terms and conditions will be met, documented, and secured.

Amending Agreements

The commissioner may seek to amend any term or agreement in order to protect the obligations and interests of the state. This includes (1) amending any contract or agreement if amendments are allowed under the agreement or (2) purchasing or redeeming any property (pursuant to foreclosure proceedings, bankruptcy proceedings, or other court action) on which DECD holds a mortgage, lien or other interest.

Audits and Investigations

The bill authorizes the commissioner to request, audit, and investigate the accuracy of eligible applicants' reports, books, records, and any other financial or project-related information. It specifies that requested information can include, without limitation, resident or employment information, financial and operating statements, and audits.

BACKGROUND***Previous Housing Bond Authorizations***

Three previous acts authorize up to \$88 million in bonds for activities including housing development and rehabilitation, congregate and elderly housing, housing for the homeless, housing for low-income persons, abatement of hazardous materials in residences, and

administrative expenses incurred from state participation in federal programs.

Other State Programs

In addition to the bond authorizations above, the state has a number of programs to help provide housing for moderate- and low-income individuals. These include state-assisted public housing, rental assistance programs, Connecticut Housing and Finance Authority low-interest mortgage loans, and state-administered federal Housing and Urban Development Department funds.

COMMITTEE ACTION

Select Committee on Housing

Joint Favorable Substitute Change of Reference
Yea 12 Nay 0

Planning and Development Committee

Joint Favorable Change of Reference
Yea 17 Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 44 Nay 1