



General Assembly

January Session, 2003

Raised Bill No. 6516

LCO No. 3683

Referred to Committee on Select Committee on Housing

Introduced by:
(HSG)

AN ACT CONCERNING THE PRESERVATION OF FEDERALLY-ASSISTED HOUSING.

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

1 Section 1. (NEW) (*Effective October 1, 2003*) As used in sections 1 to 4,
2 inclusive, of this act:

3 (1) "Development" means a rental housing development that
4 receives government assistance under any of the following federal
5 programs, including any property development held by HUD which
6 was formally insured under any of the following programs:

7 (A) New construction, substantial rehabilitation, moderate
8 rehabilitation, property disposition and loan management set-aside
9 programs or any other program providing project-based assistance
10 under Section 8 of the United States Housing Act of 1937, as from time
11 to time amended;

12 (B) The Below Market Interest Rate Program, 12 USC 1751;

13 (C) The National Housing Act, 12 USC 1751z-1;

14 (D) The Housing Act of 1959, 12 USC 1701q;

15 (E) Programs for rent supplement assistance under the Housing and
16 Urban Development Act of 1965, 12 USC 1701s;

17 (F) Programs under Section 515 of the Housing Act of 1949, 42 USC
18 1485; or

19 (G) The Low Income Housing Tax Credit program, 26 USC 42.

20 (2) "HUD" means the United States Department of Housing and
21 Urban Development or the Federal Housing Administration, the
22 Farmers Home Administration or a local housing authority
23 administering a HUD program.

24 (3) "Nonprofit corporation" means a nonprofit corporation, other
25 than a tenant association, that has been designated by at least twenty-
26 five per cent of the tenants in the development for the purpose of
27 assisting in the purchase or acquisition of the development.

28 (4) "Owner" means an individual, partnership, corporation,
29 association, joint venture or business entity that is a party to a contract
30 with HUD providing for a mortgage, mortgage assistance, mortgage
31 insurance or rent subsidy; or any spouse, employee, agent, partner or
32 entity that receives or demands rent for the development.

33 (5) "Tenant" means a tenant, subtenant, lessee, sublessee or other
34 person entitled to possession, occupancy or benefits of a rental unit
35 within the development.

36 (6) "Tenant association" means an association, organization or other
37 entity that represents tenants in a development, including, but not
38 limited to, a nonprofit corporation or a cooperation corporation.

39 (7) "Lease extension and relocation assistance" means the payment
40 to and extension of the lease for the tenant of any assisted unit in the
41 development.

42 (8) "Termination of subsidy for the development" means: (A) Any
43 sale, transfer of title, lease, prepayment of loan insured by HUD or
44 other action that would result in the cessation of the financial
45 assistance designed to make the rental unit affordable to low and
46 moderate income individuals; or (B) an owner's decision not to extend
47 or renew its participation in a federal subsidy program, either at or
48 prior to the scheduled date of the expiration of the contract or a
49 decision to terminate the rental restrictions for a development that may
50 result in an increase in tenant rent or a change in the form of the
51 subsidy from project-based to tenant-based.

52 Sec. 2. (NEW) (*Effective October 1, 2003*) (a) At least two years prior
53 to the date of intended termination of the subsidy for the development,
54 the owner shall provide written notice sent by first class mail or hand
55 delivered to the following persons or entities:

56 (1) Each tenant;

57 (2) Each tenant association;

58 (3) The chief executive officer of the municipality in which the
59 development is located;

60 (4) The executive director of any housing authority of the
61 municipality in which the development is located;

62 (5) The executive director of the Connecticut Housing Finance
63 Authority;

64 (6) The Commissioner of Economic and Community Development;
65 and

66 (7) The executive director of the Connecticut Housing Coalition.

67 (b) The notice shall be posted in a conspicuous common area of the
68 development accessible to the tenants.

69 (c) A copy of any notice required by this section shall be filed in the

70 land records of the municipality in which the development is located.

71 (d) The notice shall (1) inform the persons and entities described in
72 subsection (a) of this section that the owner intends to sell or otherwise
73 dispose of the development or terminate the subsidy or rental
74 restrictions for the development and that they have the right of first
75 refusal to purchase the property pursuant to sections 1 to 4, inclusive,
76 of this act, (2) inform the tenants of their right to lease extension and
77 relocation assistance if the subsidy for the development is terminated,
78 (3) identify the number of units that will no longer be subject to the
79 restrictions imposed by the federal program, and (4) include
80 information on the estimated rents that will be charged compared to
81 the rent charged under the federal program and the action the owner
82 will take to assist displaced tenants in obtaining other housing.

83 (e) Upon the request of a tenant association, the Department of
84 Economic and Community Development and the Connecticut Housing
85 Finance Authority shall assist said association in developing financing
86 for the purchase of the development.

87 (f) No termination of the subsidy for the development shall be valid
88 unless the notice required by this section is provided and filed in
89 accordance with this section.

90 Sec. 3. (NEW) (*Effective October 1, 2003*) (a) At least one year before
91 the date the owner offers to sell, transfer title, lease or otherwise
92 dispose of a development to any person or entity other than those
93 persons or entities specified in subsection (a) of section 2 of this act, or
94 prepays any obligation secured by a development or terminates the
95 subsidy for the development, the owner shall provide to each such
96 person and entity a written copy of a bona fide offer to sell sent by first
97 class mail or hand delivered and post a copy of the offer to sell in a
98 conspicuous place in the common areas of the development accessible
99 to tenants.

100 (b) An offer to sell made pursuant to this section shall include, but

101 not be limited to:

102 (1) The essential terms of the sale, which shall include, but not be
103 limited to, (A) the sale price, (B) the terms of seller financing, including
104 the amount, interest rate and amortization rate, (C) the terms of the
105 assumable financing, including the amount, interest rate and
106 amortization rate, and (D) any proposed improvements to the property
107 to be made by the owner in connection with the sale or other economic
108 concessions by the owner in connection with the sale.

109 (2) A statement that each of the following persons or entities has the
110 right to purchase the development according to the following order of
111 priorities: (A) A tenant association which represents not less than
112 twenty-five per cent of the tenants in the development, (B) a nonprofit
113 corporation which has been designated by not less than twenty-five
114 per cent of the tenants in the development for the purpose of assisting
115 in the purchase or acquisition of the development, (C) any other
116 nonprofit corporation, (D) the housing authority of the municipality in
117 which the development is located, (E) the municipality in which the
118 development is located, (F) the Connecticut Housing Finance
119 Authority, or (G) the Department of Economic and Community
120 Development.

121 (c) The interested person or entity shall notify the owner, in writing,
122 no later than two hundred forty days after the date of receipt of the
123 bona fide offer to sell of its intent to purchase the development.

124 (d) After receiving a notice of the interested person's or entity's
125 intent to purchase, the owner shall comply with any reasonable
126 request to make documents available to the interested person or entity,
127 during normal business hours at the owner's principal place of
128 business no later than thirty days after the date the owner receives
129 such a request, including, but not limited to: (1) The floor plan of the
130 development; (2) an itemized list of monthly operating expenses; (3)
131 the capital expenditures in each of the two preceding calendar years
132 and deferred maintenance costs; (4) the amount of project reserves; (5)

133 utility consumption rates; (6) copies of financial and physical
134 inspection reports filed with federal, state or local agencies; (7) the
135 most recent rent rolls; (8) a list of tenants; (9) a list of vacant units; and
136 (10) a state of the vacancy rate of the development for each of the two
137 preceding years.

138 (e) The interested person or entity shall, no later than one hundred
139 twenty days after the date such person or entity notified the owner of
140 the intent to purchase, provide the owner with a bona fide offer to
141 purchase evidenced by a purchase contract reflecting the sales price
142 and any terms agreed to by the parties or the sales price and terms
143 determined pursuant to the contract and a deposit equal to five per
144 cent of the amount of the bona fide offer to purchase.

145 (f) If the parties are unable to agree on a purchase price, the
146 interested person or entity shall have the right to purchase the
147 property:

148 (1) If the interested person or entity matches the essential provisions
149 of any existing bona fide offer to purchase the development made by
150 another potential purchaser which offer by such other purchaser the
151 owner is prepared to accept; or

152 (2) If there is no bona fide offer, at a purchase price to be established
153 by an appraiser chosen by the interested entity and the owner. If the
154 two cannot agree upon one appraiser, either party may notify the
155 Connecticut Housing Finance Authority on the other party, in writing
156 of such disagreement. In such case, the tenant association shall choose
157 one appraiser and the owner shall choose one appraiser and the two
158 appraisers shall jointly choose a third appraiser. The three appraisers
159 shall establish a value for the development. If the owner does not select
160 an appraiser by the fifteenth day after the date of the mailing of the
161 notice of the disagreement, the Connecticut Housing Finance
162 Authority shall choose an appraiser for the owner. The costs of all
163 appraisers shall be paid equally by the tenant association and the
164 owner.

165 (g) The interested person or entity shall agree to close the sale no
166 later than the date of the intended termination of subsidy for the
167 development.

168 (h) The tenant association or one or more tenants may bring a civil
169 action for injunctive relief against an owner who has violated the
170 provisions of sections 1 to 4, inclusive, of this act. In such action, the
171 court may award a civil penalty to each tenant in the amount of five
172 hundred dollars, in addition to reasonable attorney's fees and costs
173 incurred in bringing the action.

174 Sec. 4. (NEW) (*Effective October 1, 2003*) The owner shall provide no
175 less than the lease extension and relocation assistance specified in this
176 section to all tenants in occupancy on the date that the notice of
177 intended termination of subsidy of the development is given pursuant
178 to section 2 of this act or who enter into occupancy after that date but
179 prior to the termination of subsidy for the development:

180 (1) Pay each tenant the sum of two thousand dollars no later than
181 the date on which the tenant vacates the unit and such payments shall
182 not be deemed to be income to the tenant; and

183 (2) Offer to each tenant a lease extension for a period of at least one
184 year from the date of the mailing of the notice of the offer to sell. The
185 amount of rent for which the tenant shall be liable during such
186 extended lease term shall not exceed the amount required to be
187 contributed to the tenant under the prior lease pursuant to the federal
188 program as of the day preceding the date of the mailing of such notice.
189 All the terms, conditions and procedures governing the extended lease
190 shall be the same as the lease in effect on the day preceding the giving
191 of notice of offer of sale.

This act shall take effect as follows:	
Section 1	<i>October 1, 2003</i>
Sec. 2	<i>October 1, 2003</i>

Sec. 3	October 1, 2003
Sec. 4	October 1, 2003

Statement of Purpose:

To preserve certain federally-assisted housing developments.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]