



# House of Representatives

General Assembly

**File No. 529**

*February Session, 2004*

Substitute House Bill No. 5383

*House of Representatives, April 8, 2004*

The Committee on Finance, Revenue and Bonding reported through REP. STILLMAN of the 38th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT ESTABLISHING PILOT PROGRAMS TO ENCOURAGE MIXED INCOME HOUSING AND CONCERNING THE PROPERTY TAX EXEMPTION FOR CHARITABLE ORGANIZATIONS.***

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

- 1 Section 1. (NEW) (*Effective July 1, 2004, and applicable to income years*
- 2 *commencing on or after January 1, 2005*) Notwithstanding the provisions
- 3 of section 8-395 of the general statutes, the Connecticut Housing
- 4 Finance Authority shall establish a three-year pilot program under
- 5 which the authority shall have a goal of allocating at least thirty per
- 6 cent of the value of tax credits awarded by the authority under said
- 7 section 8-395 to business firms that make cash contributions to housing
- 8 programs developed, sponsored or managed by nonprofit
- 9 corporations in municipalities that have the least amount of mixed
- 10 income housing in the state, for the purpose of providing for a more
- 11 equitable distribution of mixed income housing projects in the state.
- 12 The pilot program shall apply to tax credits awarded for income years

13 of business firms commencing on or after January 1, 2005, but not later  
14 than December 31, 2007. The authority may modify the system of  
15 ranking housing programs under subsection (k) of said section 8-395  
16 for the purposes of the pilot program.

17 Sec. 2. (NEW) (*Effective July 1, 2004, and applicable to income years*  
18 *commencing on or after January 1, 2005*) To the extent allowed under  
19 federal law, the Connecticut Housing Finance Authority shall establish  
20 a three-year pilot program under which the authority shall have a goal  
21 of allocating at least thirty per cent of the value of tax credits awarded  
22 by the authority under the low income housing tax credit program  
23 pursuant to section 26 USC 42 to businesses investing in low income  
24 housing tax credit properties in municipalities that have the least  
25 amount of mixed income housing in the state, for the purpose of  
26 providing for a more equitable distribution of mixed income housing  
27 projects in the state. The pilot program shall apply to tax credits  
28 awarded for income years of business firms commencing on or after  
29 January 1, 2005, but not later than December 31, 2007.

30 Sec. 3. (NEW) (*Effective July 1, 2004*) The Connecticut Housing  
31 Finance Authority shall submit an interim report on its progress in  
32 implementing the pilot programs established in sections 1 and 2 of this  
33 act to the select committee of the General Assembly having cognizance  
34 of matters relating to housing, not later than January 1, 2006. Said  
35 authority shall submit a final report on the pilot programs, including  
36 its findings, recommendations and any necessary legislation, to said  
37 select committee not later than January 1, 2009. The authority shall  
38 submit said reports in accordance with section 11-4a of the general  
39 statutes.

40 Sec. 4. Subdivision (7) of section 12-81 of the general statutes, as  
41 amended by section 1 of public act 03-270, is repealed and the  
42 following is substituted in lieu thereof (*Effective October 1, 2002, and*  
43 *applicable to assessment years commencing on or after October 1, 2002*):

44 (7) Subject to the provisions of sections 12-87 and 12-88, the real  
45 property of, or held in trust for, a corporation organized exclusively for

46 scientific, educational, literary, historical or charitable purposes or for  
47 two or more such purposes and used exclusively for carrying out one  
48 or more of such purposes and the personal property of, or held in trust  
49 for, any such corporation, provided (A) any officer, member or  
50 employee thereof does not receive or at any future time shall not  
51 receive any pecuniary profit from the operations thereof, except  
52 reasonable compensation for services in effecting one or more of such  
53 purposes or as proper beneficiary of its strictly charitable purposes,  
54 and (B) in 1965, and quadrennially thereafter, a statement shall be filed  
55 on or before the first day of November with the assessor or board of  
56 assessors of any town, consolidated town and city or consolidated  
57 town and borough, in which any of its property claimed to be exempt  
58 is situated. Such statement shall be filed on a form provided by such  
59 assessor or board of assessors. On and after July 1, 1967, housing  
60 subsidized, in whole or in part, by federal, state or local government  
61 and housing for persons or families of low and moderate income shall  
62 not constitute a charitable purpose under this section. As used in this  
63 subdivision, "housing" shall not include real property used for  
64 temporary housing belonging to, or held in trust for, any corporation  
65 organized exclusively for charitable purposes and exempt from  
66 taxation for federal income tax purposes, the primary use of which  
67 property is one or more of the following: (i) An orphanage; (ii) [A] a  
68 drug or alcohol treatment or rehabilitation facility; (iii) [Housing]  
69 housing for homeless, retarded or mentally or physically handicapped  
70 individuals, or for battered or abused women and children; (iv)  
71 [Housing] housing for ex-offenders or for individuals participating in a  
72 program sponsored by the state Department of Correction or judicial  
73 branch; and (v) [Short-term] short-term housing operated by a  
74 charitable organization where the average length of stay is less than six  
75 months. The operation of such housing, including the receipt of any  
76 rental payments, by such charitable organization shall be deemed to be  
77 an exclusively charitable purpose.

This act shall take effect as follows:



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:

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

**Explanation**

The bill has no General Fund fiscal impact because it does not change the Corporation Tax credit program for low income housing.

The Connecticut Housing Finance Authority (CHFA) can prepare the report mentioned in the bill within existing staff and resources. CHFA is a quasi-public agency that does not receive an appropriation from the General Fund to conduct its operations.

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**OLR Bill Analysis**

sHB 5383

***AN ACT ESTABLISHING PILOT PROGRAMS TO ENCOURAGE MIXED INCOME HOUSING AND CONCERNING THE PROPERTY TAX EXEMPTION FOR CHARITABLE ORGANIZATIONS*****SUMMARY:**

This bill establishes two, three-year pilot programs intended to make the distribution of affordable housing in the state more equitable. It sets a goal for the Connecticut Housing Finance Authority (CHFA) to award 30% of both state and federal tax credits for affordable housing development to projects in municipalities that have the least affordable housing stock in the state. The pilot program applies to tax credit vouchers CHFA approves between January 1, 2005 and December 31, 2007. The bill allows CHFA to modify its ranking system for awarding state tax credit vouchers for the purposes of the pilot and exempts the pilot projects from other provisions of the voucher program.

CHFA must submit to the Housing Committee (1) an interim report on the pilots' progress by January 1, 2006 and (2) a final report by January 1, 2009 on both pilots that includes any findings, recommendations, and necessary legislation.

The bill specifies that any rent tenants pay a charitable organization for short-term housing it operates is exclusively for charitable purposes, thus maintaining the housing's tax-exempt status. Current law exempts from tax liability short-term housing that a charitable organization operates, but it is silent on rental income.

The bill also makes technical changes.

**EFFECTIVE DATE:** July 1, 2004, applicable for income years beginning on or after July 1, 2005 for the pilots, and retroactive to October 1, 2002 for the provision on charitable organizations' short-term housing tax exemption.

**BACKGROUND*****State Housing Tax Credit Contribution (HTCC) Vouchers***

CHFA allocates up to \$5 million in state HTCC vouchers annually. Eligible businesses are insurance companies, hospitals, medical services corporations, air carriers, railroad companies, cable and community antenna companies, utility companies, and any other business paying corporate business taxes.

A nonprofit organization that is developing, sponsoring, or managing housing for very low-, low-, and moderate-income people and families may apply to CHFA for up to \$400,000 in state tax credits. CHFA ranks and rates applicants and then reserves credits for the highest scoring proposals. The nonprofit then offers the credits to businesses that make cash contributions to support the development. Businesses receive a dollar-for-dollar reduction in their state tax liability.

### ***HTCC Ranking System***

By law, CHFA's ranking system must consider:

1. a project's readiness to be built;
2. if the funds would be used to build or rehabilitate a specific housing project or to capitalize a revolving loan fund providing low-cost loans for housing construction, repair, or rehabilitation to benefit very low-, low- and moderate-income people;
3. the extent the project will benefit very low- and low-income families;
4. evidence (a) of a nonprofit's general administrative ability to build or rehabilitate housing and (b) that any funds it received from vouchers CHFA issued were used to accomplish the goals set forth in the application; and
5. the (a) use of the funds to provide housing opportunities in urban areas and the impact of such funds on neighborhood revitalization and (b) extent to which tax credit funds are used to obtain other funds.

### ***Other HTCC Provisions***

By law, (1) no business can receive a credit for both the affordable housing tax credit program and the Neighborhood Assistance Act (CGS § 12-632) from the same cash contribution and (2) CHFA may not grant tax credits to any business for individual contributions of less than \$250,000. Housing organizations may not receive more than \$400,000

per fiscal year.

The law allows two or more business firms to participate jointly in one or more affordable housing development programs for tax credits. But joint programs must be submitted, and acted upon, as a single program by the business firms involved.

**Federal Tax Credits**

CHFA also allocates federal Low Income Housing Tax Credits (LIHTC) on a competitive basis (through one or more funding rounds each year). To be eligible for LIHTC, the developer must set aside a percentage of units for low-income residents. The percentage must be maintained for the extended use period, normally at least 30 years. Developers who qualify typically sell the credits to private investors who benefit from a reduction in tax liability. The developer uses the profit from the sale to generate equity for the development, which reduces the need for debt financing and allows the owner to charge affordable rents.

**COMMITTEE ACTION**

Select Committee on Housing

Joint Favorable Change of Reference  
Yea 13    Nay 0

Planning and Development Committee

Joint Favorable Change of Reference  
Yea 16    Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Substitute  
Yea 35    Nay 8