



House of Representatives

File No. 751

General Assembly

January Session, 2005

(Reprint of File No. 258)

Substitute House Bill No. 6724
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 13, 2005

AN ACT CONCERNING THE DISPOSITION OF PROPERTY UNDER THE LIMITED EQUITY COOPERATIVE PROGRAM.

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

1 Section 1. Section 8-214f of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2005*):

3 (a) As used in this section and sections 8-214g and 8-214h, "limited
4 equity cooperative" shall have the same meaning as provided in
5 section 47-242.

6 (b) As used in this section and sections 8-214g and 8-214h, "mutual
7 housing association" means a nonprofit corporation, incorporated
8 pursuant to chapter 602 or any predecessor statutes thereto, and
9 having articles of incorporation approved by the Commissioner of
10 Economic and Community Development in accordance with
11 regulations adopted pursuant to section 8-79a or 8-84, having as one of
12 its purposes the prevention and elimination of neighborhood
13 deterioration and the preservation of neighborhood stability by
14 affording community and resident involvement in the provision of

15 high quality, long-term housing for low and moderate income families
16 in which residents (1) participate in the ongoing operation and
17 management of such housing, (2) have the right to continue residing in
18 such housing for as long as they comply with the terms of their
19 occupancy agreement, and (3) have an ownership interest in such
20 occupancy agreement conditional upon compliance with its terms but
21 do not possess an equity interest in such housing.

22 (c) The state, acting by and through the Commissioner of Economic
23 and Community Development, may enter into a contract with a
24 nonprofit corporation, as defined in section 8-39, to provide financial
25 assistance for the development of limited equity cooperatives for low
26 and moderate income families. State financial assistance provided
27 under this subsection may be in the form of grants, loans, deferred
28 loans or any combination thereof and may be used for the acquisition
29 or development of housing sites and for the costs incurred in the
30 development of limited equity cooperatives. In the case of a deferred
31 loan, the contract shall require that payments on interest are due
32 immediately but that payments on principal may be made at a later
33 time. Any nonprofit corporation which receives such assistance shall
34 require that members who participate in the cooperative project for
35 which assistance was requested under this section contribute their
36 labor during the development or operation of the cooperative, or make
37 a cash contribution to become a member of the cooperative, or both.

38 (d) The state, acting by and through the Commissioner of Economic
39 and Community Development, may enter into a contract with a
40 mutual housing association to provide financial assistance for the
41 development of housing for low and moderate income families. State
42 financial assistance provided under this subsection may be in the form
43 of grants, loans, deferred loans or any combination thereof and may be
44 used for the acquisition or development of housing sites and for the
45 costs incurred in the development of such housing. Contracts for state
46 financial assistance provided under this subsection shall provide that
47 the mutual housing association: (1) Require resident members to pay a
48 membership fee as a condition of eligibility for occupancy of a

49 dwelling unit, provided such membership fee shall be refundable to
50 the resident member, with nominal interest, when the resident
51 member vacates such unit; (2) may allow, in fixing the rentals for
52 dwelling units, for a reasonable return on equity capital contributed to
53 the development of such housing through mutual housing association
54 membership fees or grants obtained from sources other than the state,
55 provided such return on equity capital shall be utilized by the
56 association to develop additional dwelling units; and (3) shall permit
57 continued occupancy by resident members whose incomes rise above
58 low and moderate income limits, provided the rent to be paid for such
59 continued occupancy shall be fixed at a level not less than twenty-five
60 per cent of the resident members' adjusted household income, and
61 provided any increased rent collected for continued occupancy shall be
62 used by the association to develop additional dwelling units for low
63 and moderate income families or shall be credited against the rent
64 owed by another low or moderate income resident member of the
65 association.

66 [(e) On and after the effective date of regulations adopted under
67 section 8-437, the Commissioner of Economic and Community
68 Development shall not accept any application for state financial
69 assistance pursuant to this section except an application for a project or
70 development not qualifying for financial assistance pursuant to section
71 8-433.]

72 (e) If the Commissioner of Economic and Community Development
73 determines, based on a full examination of the circumstances, that a
74 nonprofit corporation is unable to manage the land, interests in land or
75 buildings acquired or constructed with state financial assistance under
76 this section, the commissioner may release such land, interests in land
77 or buildings from the obligations of the limited equity cooperative
78 program and shall impose any new restrictions in the deed or deeds
79 for the land, interests in land or buildings as the commissioner deems
80 appropriate to ensure the continued use of such land, interests and
81 buildings for the benefit of low or moderate income families. In such
82 case, the equity of each resident in such property shall either (1) be

83 used first for payment of any debt incurred by the resident from
84 membership in the cooperative and then for payment to the resident of
85 any remaining equity, or (2) transferred with the property so that the
86 resident does not lose such equity.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2005</i>	8-214f

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:

Agency Affected	Fund-Effect	FY 06 \$	FY 07 \$
Department of Economic & Community Development	GF - None	None	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill allows the Commissioner of the Department of Economic and Community Development (DECD) to have more flexibility in dealing with the needs of limited equity cooperative projects and has no fiscal impact.

House "A" requires rather than allows certain restrictions to be placed on deeds by the Commissioner of DECD and has no fiscal impact.

OLR Bill Analysis

sHB 6724 (as amended by House "A")*

AN ACT CONCERNING THE DISPOSITION OF PROPERTY UNDER THE LIMITED EQUITY COOPERATIVE PROGRAM**SUMMARY:**

This bill allows the economic and community development commissioner to take certain steps when a nonprofit organization can no longer manage a state-funded limited equity cooperative, which is a form of common interest ownership that restricts a unit's sales price or limits the return a member can expect when the property is sold.

The bill allows the commissioner to remove the restrictions the state imposed on the property to insure that it be used only for cooperative housing. He may do this only after he fully examined the reasons why the nonprofit could no longer manage the property. He must replace the restrictions with new ones requiring the land, interest in land, and buildings be used to for other types of housing that benefit low- and moderate-income families.

The commissioner must also take certain steps regarding the equity of the cooperative's members. He must either (1) use that equity to pay off any debt a member incurred as a member of the cooperative and then pay the balance to him or (2) transfer the equity with the property as long as each member does not lose his equity.

The bill deletes a provision prohibiting the commissioner from taking applications for financing limited equity cooperatives under the limited equity cooperative statutes after he adopted regulations implementing the Consolidated Housing Construction, Acquisition, and Rehabilitation Program.

*House Amendment "A" requires rather than allows the commissioner to replace any conditions he removes on the property with new ones requiring the land, interests in land, and buildings be used to benefit low- and moderate-income families.

EFFECTIVE DATE: October 1, 2005

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 25 Nay 0