



# House of Representatives

General Assembly

**File No. 90**

February Session, 2006

Substitute House Bill No. 5602

*House of Representatives, March 22, 2006*

The Committee on Banks reported through REP. DOYLE of the 28th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT ESTABLISHING THE CONNECTICUT HOMEOWNERSHIP ASSISTANCE FOR NEIGHBORHOOD AND COMMUNITY EMPOWERMENT GRANT PROGRAM.***

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

1 Section 1. (NEW) (*Effective October 1, 2006*) (a) The Connecticut  
2 Housing Finance Authority shall establish the Connecticut  
3 Homeownership Assistance for Neighborhood and Community  
4 Empowerment Grant Program. The purpose of the program shall be to  
5 provide to eligible individuals or families grants to assist in the  
6 downpayment and closing costs with respect to the purchase of a  
7 single-family dwelling, a condominium unit, a multifamily dwelling  
8 consisting of not more than three units or a dwelling in a planned unit  
9 development that is located in an eligible municipality.

10 (b) No such grant shall (1) exceed three per cent of the cost of  
11 acquiring such dwelling or condominium unit or ten thousand dollars,  
12 whichever is greater, or (2) be repaid in whole or in part.

13 (c) The Commissioner of Economic and Community Development  
14 shall adopt regulations, in accordance with chapter 54 of the general  
15 statutes, to implement the provisions of this section. Such regulations  
16 shall specify eligibility criteria (1) for individuals and families,  
17 provided such individuals or families are first-time home buyers and  
18 have an annual income of less than or equal to eighty per cent of the  
19 area median income for the area of the state in which they live, as  
20 determined by the United States Department of Housing and Urban  
21 Development, and (2) for municipalities, provided more than thirty-  
22 five per cent of all housing units in any such municipality are renter-  
23 occupied.

24 Sec. 2. (*Effective July 1, 2006*) (a) For the purposes described in  
25 subsection (b) of this section, the State Bond Commission shall have  
26 the power, from time to time, to authorize the issuance of bonds of the  
27 state in one or more series and in principal amounts not exceeding in  
28 the aggregate five million dollars.

29 (b) The proceeds of the sale of said bonds, to the extent of the  
30 amount stated in subsection (a) of this section, shall be used by the  
31 Department of Economic and Community Development for the  
32 purpose of the Connecticut Homeownership Assistance for  
33 Neighborhood and Community Empowerment Grant Program  
34 established under section 1 of this act.

35 (c) All provisions of section 3-20 of the general statutes, or the  
36 exercise of any right or power granted thereby, which are not  
37 inconsistent with the provisions of this section are hereby adopted and  
38 shall apply to all bonds authorized by the State Bond Commission  
39 pursuant to this section, and temporary notes in anticipation of the  
40 money to be derived from the sale of any such bonds so authorized  
41 may be issued in accordance with said section 3-20 and from time to  
42 time renewed. Such bonds shall mature at such time or times not  
43 exceeding twenty years from their respective dates as may be provided  
44 in or pursuant to the resolution or resolutions of the State Bond  
45 Commission authorizing such bonds. None of said bonds shall be

46 authorized except upon a finding by the State Bond Commission that  
 47 there has been filed with it a request for such authorization which is  
 48 signed by or on behalf of the Secretary of the Office of Policy and  
 49 Management and states such terms and conditions as said commission,  
 50 in its discretion, may require. Said bonds issued pursuant to this  
 51 section shall be general obligations of the state and the full faith and  
 52 credit of the state of Connecticut are pledged for the payment of the  
 53 principal of and interest on said bonds as the same become due, and  
 54 accordingly and as part of the contract of the state with the holders of  
 55 said bonds, appropriation of all amounts necessary for punctual  
 56 payment of such principal and interest is hereby made, and the State  
 57 Treasurer shall pay such principal and interest as the same become  
 58 due.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2006	New section
Sec. 2	July 1, 2006	New section

**Statement of Legislative Commissioners:**

The provisions of subsection (b) of section 1 were restated for clarity and conciseness.

**BA**      *Joint Favorable Subst.*

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 07 \$	FY 08 \$
Connecticut Housing Finance Authority(quasi-public)	Cost	Minimal	Minimal
Department of Economic & Community Development	GF - Cost	See Below	See Below
Treasurer, Debt Serv.	GF - Cost	See Below	See Below

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill authorizes \$5 million in General Obligation (GO) bonds effective 7/1/06. The interest cost to bond this amount for 20 years, assuming a 5% interest rate, is \$2.6 million. The funds are to be used by the department of Economic and Community development (DECD) for the Connecticut Homeownership Assistance Program to be administered by the Connecticut Housing Finance Authority (CHFA).

It is anticipated that since the CHFA already administers a downpayment assistance program, the program established by this legislation can be administered in conjunction with the existing program.

The legislation requires the DECD to adopt regulations to implement the program administered by the CHFA. It is estimated that the DECD will incur additional costs of approximately \$5,000 to hire outside counsel to adopt the regulations. In addition, since the funds are provided through the DECD, to the extent that the department needs to provide oversight and monitor the grants, a

Housing Development Specialist costing approximately \$45,000<sup>1</sup> plus fringe benefits in FY 07 would be required.

### ***The Out Years***

The annualized ongoing fiscal impact identified above is the debt service payments over 20 years. If the bonds are issued 7/1/06, the principal and interest payments would range between \$0.5 million in FY 08 and \$0.3 million in FY 27.

The annualized ongoing fiscal impact identified above for a position would continue into the future subject to inflation.

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<sup>1</sup> The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate as a percentage of payroll is 23.6%, effective July 1, 2005. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2005-06 fringe benefit rate is 34.7%, which when combined with the non pension fringe benefit rate would total 58.3%.

**OLR Bill Analysis**

**sHB 5602**

***AN ACT ESTABLISHING THE CONNECTICUT HOMEOWNERSHIP ASSISTANCE FOR NEIGHBORHOOD AND COMMUNITY EMPOWERMENT GRANT PROGRAM.***

**SUMMARY:**

This bill requires the Connecticut Housing Finance Authority to establish the Connecticut Homeownership Assistance for Neighborhood and Community Empowerment Grant Program to provide downpayment and closing cost assistance to individuals and families for the purchase of certain properties. It authorizes up to \$5 million in bonds, which the Department of Economic and Community Development (DECD) must use to fund the program.

The grants cannot exceed the greater of \$10,000 or 3% of the cost of acquiring one the following eligible properties: (1) a single-family dwelling, (2) a condominium unit, (3) a multifamily dwelling consisting of up to three units, or (4) a dwelling in a planned unit development in an eligible municipality. The grants do not have to be repaid.

The bill requires the DECD commissioner to adopt regulations to specify program eligibility criteria for individuals, families, and municipalities. However, the bill specifies (1) individuals must be first-time home buyers earning no more than 80% of the area median income for the area of the state in which they live, as determined by the federal Department of Housing and Urban Development, and (2) 35% of the housing units in any municipality in the program must be renter-occupied.

EFFECTIVE DATE: October 1, 2006, except for the bond authorization which takes effect July 1, 2006.

**COMMITTEE ACTION**

Banks Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/09/2006)