



Senate

General Assembly

File No. 720

January Session, 2007

Substitute Senate Bill No. 1057

Senate, May 3, 2007

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT ESTABLISHING A PROGRAM OF HOUSING FOR ECONOMIC GROWTH.

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

1 Section 1. (NEW) (*Effective July 1, 2007*) As used in sections 1 to 19,
2 inclusive, and sections 23 and 24 of this act:

3 (1) "Approved incentive housing zone" means an overlay zone that
4 has been adopted by a zoning commission and for which a letter of
5 final eligibility has been issued by the secretary under section 5 of this
6 act.

7 (2) "Authority" means the Connecticut Health and Educational
8 Facilities Authority.

9 (3) "Building permit payment" means the one-time payment, made
10 pursuant to subsection (b) of section 7 of this act, for each qualified
11 housing unit located within an incentive housing development for
12 which a building permit has been issued by the municipality.

13 (4) "Capital appreciation bonds" means bonds for which interest is
14 compounded at a stated rate and that are payable only at the maturity
15 or prior redemption thereof.

16 (5) "Construction" means the creation of housing units by new
17 construction, substantial rehabilitation of an existing residential
18 building, or conversion of an existing nonresidential building to
19 residential use.

20 (6) "Developable land" means the area within the boundaries of an
21 approved incentive housing zone, excluding: (A) Land already
22 committed to a public use or purpose, whether publicly or privately
23 owned; (B) existing parks, recreation areas and open space that is
24 dedicated to the public or subject to a recorded conservation easement;
25 (C) land otherwise subject to an enforceable restriction on or
26 prohibition of development; and (D) wetlands or watercourses as
27 defined in chapter 440 of the general statutes.

28 (7) "Duplex" means a residential building containing two units.

29 (8) "Eligible location" means: (A) An area near a transit station,
30 including rapid transit, commuter rail, bus terminal, or ferry terminal;
31 (B) an area of concentrated development such as a commercial center,
32 existing residential or commercial district, or village district
33 established pursuant to section 8-2j of the general statutes; or (C) an
34 area that, because of existing, planned or proposed infrastructure,
35 transportation access or underutilized facilities or location, is suitable
36 for development as an incentive housing zone.

37 (9) "Fund" means the Housing for Economic Growth Fund
38 established in accordance with section 14 of this act.

39 (10) "Historic district" means an historic district established
40 pursuant to chapter 97a of the general statutes.

41 (11) "Incentive housing development" means a residential or mixed
42 use development (A) that is proposed or located within an approved
43 incentive housing zone; (B) that is eligible for financial incentive

44 payments set forth in section 7 of this act and incentive housing
45 education cost reimbursement set forth in section 8 of this act; and (C)
46 in which not less than twenty per cent of the dwelling units will be
47 conveyed subject to an incentive housing restriction requiring that, for
48 at least thirty years after the initial occupancy of the development,
49 such dwelling units shall be sold or rented at, or below, prices which
50 will preserve the units as housing for which persons pay thirty per
51 cent or less of their annual income, where such income is less than or
52 equal to eighty per cent or less of the median income.

53 (12) "Incentive housing education cost reimbursement" means an
54 annual financial payment to a municipality that is payable for fifteen
55 years, by the state, acting through the secretary, pursuant to section 8
56 of this act.

57 (13) "Incentive housing sponsor" or "sponsor" means (A) the owner
58 or developer responsible for the acquisition, construction or operation
59 of an incentive housing development, any other appropriate entity
60 with respect to such housing, or the owner or occupant of a unit in
61 such housing; or (B) the municipality in which such housing is located,
62 acting as trustee, agent or representative for such owner, developer,
63 entity or occupant.

64 (14) "Incentive housing restriction" means a deed restriction,
65 covenant, zoning regulation, site plan approval condition, subdivision
66 approval condition, or affordability plan constituting an obligation
67 with respect to the restrictions on household income, sale or resale
68 price, rent and housing costs required by subsection (g) of section 2 of
69 this act, enforceable for thirty years as required by said subsection (g),
70 and recorded on the land records of the municipality where the
71 housing is located.

72 (15) "Incentive housing zone" means a zone adopted by a zoning
73 commission pursuant to sections 1 to 19, inclusive, and sections 23 and
74 24 of this act, as an overlay to one or more existing zones, in an eligible
75 location.

76 (16) "Incentive housing zone certificate of compliance" means a
77 written certificate issued by the secretary in accordance with section 6
78 of this act.

79 (17) "Letter of eligibility" means a preliminary or final letter issued
80 to a municipality by the secretary under section 5 of this act.

81 (18) "Median income" means, after adjustments for household size,
82 the area median income as determined by the United States
83 Department of Housing and Urban Development for the municipality
84 in which an approved incentive housing zone or development is
85 located.

86 (19) "Mixed-use development" means a development containing one
87 or more multifamily or single-family dwelling units and one or more
88 commercial, public, institutional, retail, office or industrial uses.

89 (20) "Multifamily housing" means a building that contains or will
90 contain three or more residential dwelling units.

91 (21) "Open space" means land or a permanent interest in land that is
92 used for or satisfies one or more of the criteria listed in subsection
93 (b) of section 7-131d of the general statutes.

94 (22) "Redevelopment" means (A) construction whose cost will
95 exceed fifty per cent of the prerenovation assessed value of a building,
96 or (B) a change in use of a building from nonresidential to residential.

97 (23) "Secretary" means the Secretary of the Office of Policy and
98 Management or the designee of the secretary.

99 (24) "State assistance" means a payment by the state of actual debt
100 service, comprised of principal, interest and reasonable operating
101 reserves, interest rate swap payments, liquidity fees, letter of credit
102 fees, trustee fees and other similar bond-related expenses.

103 (25) "State assistance agreement" means any contract entered into by
104 the state, acting by and through the secretary and the State Treasurer,

105 with the Connecticut Health and Educational Facilities Authority, that
106 provides state assistance pursuant to section 15 of this act.

107 (26) "Townhouse housing" means a residential building consisting
108 of a single-family dwelling unit constructed in a group of three or
109 more attached units, in which each unit extends from foundation to
110 roof and has open space on at least two sides.

111 (27) "Zone adoption payment" means a one-time payment, made
112 pursuant to subsection (a) of section 7 of this act.

113 (28) "Zoning commission" means a municipal agency designated or
114 authorized to exercise zoning powers under chapter 124 of the general
115 statutes or a special act, and includes an agency that exercises both
116 planning and zoning authority.

117 Sec. 2. (NEW) (*Effective July 1, 2007*) (a) A zoning commission may
118 adopt regulations, as part of the zoning regulations adopted under
119 section 8-2 of the general statutes or any special act, establishing an
120 incentive housing zone in accordance with the provisions of sections 1
121 to 19, inclusive, and sections 23 and 24 of this act.

122 (b) An incentive housing zone shall satisfy the following
123 requirements:

124 (1) The zone shall be located in an eligible location.

125 (2) The regulations of the zone shall permit, as-of-right, incentive
126 housing development.

127 (3) The minimum density for incentive housing development, per
128 acre of developable land, shall be: (A) Six units per acre for single-
129 family detached housing; (B) ten units per acre for duplex or
130 townhouse housing; and (C) twenty units per acre for multifamily
131 housing.

132 (4) The minimum densities prescribed in subdivision (3) of this
133 subsection shall be subject to site plan or subdivision procedures,

134 submission requirements and approval standards of the municipality,
135 and shall not be subject to special permit or special exception
136 procedures, requirements or standards.

137 (5) In order to qualify for financial incentive payments set forth in
138 section 7 of this act and incentive housing education cost
139 reimbursement set forth in section 8 of this act, the regulations of an
140 incentive housing zone concerning the minimum as-of-right densities
141 set forth in subdivision (3) of this subsection shall constitute an
142 increase of at least twenty-five per cent above the density allowed by
143 the underlying zone, notwithstanding the provisions of said section 7
144 with regard to zone adoption and building permit payments and the
145 provisions of said section 8 with regard to incentive housing
146 educational cost reimbursement.

147 (6) Notwithstanding the requirements of subdivision (3) of this
148 subsection, a municipality whose population as determined by the
149 most recent federal decennial census is less than five thousand, when
150 applying to the secretary for a letter of eligibility under section 5 of this
151 act, may request approval of minimum as-of-right densities of not less
152 than four units per acre for single-family detached housing, not less
153 than six units per acre for duplex or townhouse housing, and not less
154 than ten units per acre for multifamily housing. In making such a
155 request, the municipality shall provide the Secretary of the Office of
156 Policy and Management with evidence of sewage disposal, water
157 supply, traffic safety, or other existing, substantial infrastructure
158 limitations that prevent adoption of the minimum densities set forth in
159 said subdivision (3) of this subsection. If the proposed incentive
160 housing zone otherwise satisfies the requirements of this section, the
161 secretary may issue the requested letter of eligibility.

162 (7) An incentive housing zone may consist of one or more subzones,
163 provided each subzone and the zone as a whole comply with the
164 requirements of sections 1 to 19, inclusive, and sections 23 and 24 of
165 this act.

166 (8) The land area of an incentive housing zone shall not exceed ten
167 per cent of the total land area in the municipality. The aggregate land
168 area of all incentive housing zones and subzones in a municipality
169 shall not exceed twenty-five per cent of the total land area in the
170 municipality.

171 (c) A zoning commission may modify, waive or delete dimensional
172 standards contained in the zone or zones that underlie an incentive
173 housing zone in order to support the minimum or desired densities,
174 mix of uses or physical compatibility in the incentive housing zone.
175 Standards subject to modification, waiver or deletion include, but shall
176 not be limited to, building height, setbacks, lot coverage, parking ratios
177 and road design standards.

178 (d) If a zoning commission adopts a regulation for an incentive
179 housing zone that permits single-family detached homes on
180 subdivided lots, requiring subdivision approval under the subdivision
181 regulations of the municipality, the zoning commission shall make a
182 written finding that the applicability of such subdivision regulations
183 will not unreasonably impair the economic or physical feasibility of
184 constructing housing at the minimum densities and subject to an
185 incentive housing restriction as required by sections 1 to 19, inclusive,
186 and sections 23 and 24 of this act. If housing on subdivided lots is
187 proposed in an incentive housing zone, the zoning commission shall
188 use its best efforts to adopt or encourage the planning commission to
189 adopt subdivision standards, such as cluster regulations, zero lot line
190 provisions, and waivers of dimensional or other requirements, that
191 will ensure consistency of the single-family detached housing with the
192 purposes of sections 1 to 19, inclusive, and sections 23 and 24 of this
193 act.

194 (e) The regulations of an incentive housing zone may allow for a
195 mix of business, commercial or other nonresidential uses provided
196 such uses are consistent with as-of-right residential uses and densities
197 required under this section.

198 (f) An incentive housing zone may overlay all or any part of an
199 existing historic district or districts, and a municipality may establish
200 an historic district within an approved incentive housing zone,
201 provided, if the requirements or regulations of such historic district
202 render the approved housing incentive zone not in compliance with
203 the provisions of sections 1 to 19, inclusive, and sections 23 and 24 of
204 this act, the secretary shall deny a preliminary or final letter of
205 eligibility, deny or revoke a certificate of compliance, or deny any
206 financial incentive payments set forth in section 7 of this act and
207 incentive housing education cost reimbursement set forth in section 8
208 of this act.

209 (g) An applicant for site plan or subdivision approval to construct
210 an incentive housing development within an approved zone may
211 require for the development, through an incentive housing restriction,
212 that (1) more than twenty per cent of the total proposed dwelling units
213 be subject to the restriction; (2) the maximum annual income of
214 qualifying households may be less than eighty per cent of the area
215 median income; or (3) the duration of the restriction may be longer
216 than thirty years. An application for approval of an incentive housing
217 development may not be denied on the basis that the proposed
218 incentive housing restriction contains one or more of these provisions
219 set forth in this subsection.

220 (h) The provisions of this section shall not be construed to affect the
221 power of a zoning commission to adopt or amend regulations under
222 chapter 124 of the general statutes or any special act.

223 Sec. 3. (NEW) (*Effective July 1, 2007*) (a) A zoning commission, at the
224 time of and as part of its adoption of regulations for an incentive
225 housing zone, may adopt design standards for incentive housing
226 developments within such zone. Such design standards (1) may ensure
227 that construction within the incentive housing zone is complementary
228 to adjacent and neighboring buildings and structures, and consistent
229 with the housing plan provided for in section 4 of this act, and (2) may
230 address the scale and proportions of buildings; site coverage;

231 alignment, width and grade of streets and sidewalks; type and location
232 of infrastructure; location of building and garage entrances; off-street
233 parking; protection of significant natural site features; location and
234 design of open spaces; signage; and setbacks and buffering from
235 adjacent properties.

236 (b) A design standard shall not be adopted if such standard will
237 unreasonably impair the economic or physical feasibility of
238 constructing housing at the minimum densities and with the required
239 incentive housing restriction set forth in sections 1 to 19, inclusive, and
240 sections 23 and 24 of this act. The Secretary of the Office of Policy and
241 Management shall not approve a request for a letter of preliminary or
242 final eligibility under section 5 of this act if a proposed design standard
243 will violate the provisions of this subsection, but may not otherwise
244 disapprove a proposed zone solely on the basis of its design standards.
245 A statement from an applicant or potential applicant for approval of an
246 incentive housing development within a proposed or approved
247 incentive housing zone that proposed design standards are reasonable
248 and will not impair the physical or economic feasibility shall be
249 dispositive with regard to the reasonableness of such design standards
250 with respect to such development.

251 (c) A zoning commission shall submit to the secretary each
252 amendment to a design standard that has been approved by the
253 secretary under this section. The secretary shall approve or disapprove
254 such amendment not more than forty-five days after receipt of such
255 request. If the secretary fails to approve or disapprove such
256 amendment within such period, the amendment shall be deemed to be
257 a disapproval. Thereafter, the commission may reapply for approval of
258 the amendment.

259 Sec. 4. (NEW) (*Effective July 1, 2007*) A municipality may file with the
260 Secretary of the Office of Policy and Management an application for
261 preliminary determination of eligibility for the financial incentive
262 payments set forth in section 7 of this act and incentive housing

263 education cost reimbursement set forth in section 8 of this act. Such
264 application shall:

265 (1) Identify and describe the boundaries of the proposed incentive
266 housing zone or zones;

267 (2) Identify, describe and calculate the developable land within the
268 proposed incentive housing zone or zones;

269 (3) Identify and describe existing and potential residential
270 development and the potential for reuse of existing or underutilized
271 buildings within the zone or zones;

272 (4) Calculate the number of residential units that may be
273 constructed in the zone or zones if the proposed regulations are
274 approved;

275 (5) Include a housing plan that describes the anticipated build-out of
276 the zone or zones, including information on available and proposed
277 infrastructure, compatibility of proposed incentive housing
278 development with existing and proposed buildings and uses, and
279 efforts that the municipality is making or intends to make to support
280 and promote the residential construction permitted by the proposed
281 regulations;

282 (6) Include the text of the proposed incentive housing zone
283 regulations and design standards and, if applicable, the text of the
284 subdivision regulations; and

285 (7) Include the text of the proposed incentive housing restriction
286 and a plan for administering and enforcing its requirements and
287 limitations.

288 Sec. 5. (NEW) (*Effective July 1, 2007*) (a) Upon application by a
289 municipality under section 4 of this act, the Secretary of the Office of
290 Policy and Management shall, not later than sixty days after receipt,
291 issue, in writing, a preliminary determination of the eligibility of the
292 municipality for the financial incentive payments set forth in section 7

293 of this act and incentive housing education cost reimbursements set
294 forth in section 8 of this act. At least thirty days before making such
295 preliminary determination, the secretary shall electronically give
296 notice of the application to all persons who have provided the
297 secretary with a current electronic mail address and a written request
298 to receive such notices. If the secretary determines that the proposed
299 incentive housing zone is not eligible or does not comply with the
300 provisions of sections 2 and 3 of this act, the secretary shall, within the
301 sixty-day response period, notify the municipality, in writing, of the
302 reasons for such determination. A municipality may thereafter reapply
303 for approval after addressing the reasons for ineligibility. The
304 secretary's failure to issue a written response within sixty days of
305 receipt shall be deemed to be disapproval, after which the municipality
306 may reapply.

307 (b) After a municipality has received from the secretary a
308 preliminary letter of eligibility, its zoning commission may adopt the
309 incentive housing zone regulations and design standards as proposed
310 to the secretary for preliminary approval. Not later than thirty days
311 after receipt from the municipality of a written statement that its
312 zoning commission has adopted the proposed regulations and
313 standards, the secretary shall issue a letter of final approval of the
314 incentive housing zone. The secretary's failure to issue a letter of final
315 approval within thirty days of receipt shall be deemed disapproval,
316 after which the municipality may reapply for a preliminary
317 determination of eligibility under this section.

318 (c) The secretary shall not approve any proposed incentive housing
319 zone for which the proposed regulations or design standards have the
320 intent or effect of discriminating against, making unavailable, denying
321 or impairing the physical or financial feasibility of housing which is
322 receiving or will receive financial assistance under any governmental
323 program for the construction or substantial rehabilitation of low or
324 moderate income housing, or any housing occupied by persons
325 receiving rental assistance under chapter 319uu of the general statutes
326 or Section 1437f of Title 42 of the United States Code.

327 (d) Any amendment to the regulations or design standards
328 approved by the secretary for preliminary or final eligibility shall be
329 submitted to the secretary for approval as set forth in this section.

330 Sec. 6. (NEW) (*Effective July 1, 2007*) (a) Each municipality whose
331 zoning commission has received a final determination of eligibility
332 under section 5 of this act and has adopted an approved incentive
333 housing zone shall annually, in accordance with procedures
334 established by the Secretary of the Office of Policy and Management,
335 apply to the secretary for an incentive housing zone certificate of
336 compliance. To receive a certificate, the municipality shall verify
337 within the time specified by the secretary that:

338 (1) The zoning commission of the municipality has not amended or
339 repealed any portion of the regulations or design standards in the
340 incentive housing zone without approval of the secretary as required
341 by sections 3 and 5 of this act;

342 (2) The approval of the incentive housing zone has not been revoked
343 by the secretary;

344 (3) The municipality is making reasonable efforts to assist and
345 promote approval of incentive housing development and construction
346 of housing within the approved zone or zones; and

347 (4) The zoning commission has not unreasonably denied any
348 application for site plan or subdivision approval, or other necessary
349 coordinating permits or approvals, and has only denied applications in
350 a manner consistent with the provisions of section 9 of this act.

351 (b) If the information required pursuant to subsection (a) of this
352 section has been submitted by a municipality in a timely manner, the
353 secretary shall issue compliance certificates by October first annually.
354 If the secretary determines that the municipality is in material
355 noncompliance with the requirements of sections 1 to 19, inclusive,
356 and sections 23 and 24 of this act, the secretary, after notice and
357 hearing pursuant to chapter 54 of the general statutes, may revoke

358 certification. Any revocation of certification, or other sanctions
359 imposed by the secretary under section 10 of this act, shall not affect
360 the validity of the incentive housing zone regulations or the
361 application of such regulations to a pending or approved development
362 application within the incentive housing zone, but shall render the
363 municipality ineligible for financial incentive payments set forth in
364 section 7 of this act and incentive housing education cost
365 reimbursement set forth in section 8 of this act.

366 Sec. 7. (NEW) (*Effective July 1, 2007*) (a) Upon confirmation by the
367 Secretary of the Office of Policy and Management of adoption by a
368 zoning commission of approved regulations and design standards for
369 an incentive housing zone or zones, the secretary shall make to the
370 municipality a zone adoption payment in the amount of two thousand
371 dollars for each unit of housing that can be built as part of an incentive
372 housing development within such zone or zones. Such zone adoption
373 payment shall be made to the municipality by the secretary not more
374 than sixty days after final approval of the incentive housing zone
375 pursuant to section 5 of this act, provided the time for appeal of the
376 final adoption of the regulations has expired or a final and
377 unappealable judgment upholding such regulations has been issued in
378 any civil action challenging or delaying such regulations.

379 (b) Upon submission by a municipality to the secretary of proof of
380 issuance of a building permit for a residential housing unit in an
381 approved incentive housing development, and after determining that
382 no appeal from or challenge to such building permit has been filed or
383 is pending, the secretary shall issue to the municipality a one-time
384 building permit payment for each such building permit. The amount
385 of payment shall be two thousand dollars for each multifamily housing
386 unit, duplex unit or townhouse unit and five thousand dollars for each
387 single-family detached unit. Such payment shall be made by the
388 secretary not more than sixty days after receipt of proof of the issuance
389 of building permits and verification of the absence of any appeal or
390 challenge.

391 (c) Residential units that are located within an approved incentive
392 housing zone that are part of a development that constitutes housing
393 for older persons permitted by the federal Fair Housing Act, 42 USC
394 3607 or sections 46a-64c and 46a-64d of the general statutes, shall not
395 be eligible for payments under this section.

396 Sec. 8. (NEW) (*Effective July 1, 2007*) (a) A municipality in which an
397 incentive housing development has been built and occupied in
398 compliance with sections 1 to 19, inclusive, and sections 23 and 24 of
399 this act shall be eligible for an annual incentive housing education cost
400 reimbursement, paid through bonds or other obligations issued by the
401 Connecticut Health and Education Financing Authority pursuant to
402 section 12 of this act. Each municipality seeking incentive housing
403 education cost reimbursement as provided in this section shall include
404 in its data of record, pursuant to subsection (a) of section 10-262i of the
405 general statutes, as of December first prior to the fiscal year such
406 reimbursement is to be made, the number of children age five to
407 seventeen, inclusive, as defined in subdivision (10) of section 10-262f of
408 the general statutes, who are enrolled in public school and who are
409 identified as residing in an incentive housing development constructed
410 and occupied in compliance with the provisions of sections 1 to 19,
411 inclusive, and sections 23 and 24 of this act.

412 (b) (1) As used in this subsection, "eligible education costs" means
413 the sum of the town's regular program expenditures as defined in
414 section 10-262f of the general statutes for the school year prior to the
415 fiscal year in which reimbursement is to be made, plus the amount of
416 special education and public transportation costs in such prior year,
417 net of all state aid, federal aid, tuition and other revenues received for
418 such services, provided that in determining such amounts for member
419 towns of regional school districts, any allocations necessary shall be
420 based on each member town's percentage of the total district
421 enrollment.

422 (2) The amount of an incentive housing education cost
423 reimbursement shall be the eligible education costs per resident

424 student as defined in section 10-262f of the general statutes of the town
425 multiplied by the number of children identified pursuant to subsection
426 (a) of this section, minus (A) the amount of increased aid the town
427 receives in a school year pursuant to section 10-262i of the general
428 statutes as the result of the identification of students pursuant to
429 subsection (a) of this section, and (B) fifty per cent of the incremental
430 increase in real and personal property taxes occurring after the
431 adoption of the incentive housing zone regulations and attributable to
432 the incentive housing within the incentive zone. The annual payments
433 shall commence in the fiscal year following the identification of
434 students residing in an incentive housing development, as specified in
435 subsection (a) of this section, and continue for fifteen years, provided
436 eligible students continue to live in that development.

437 (c) Each municipality shall certify to the authority information and
438 data necessary to support the issuance of said bonds or other
439 obligations of the authority in accordance with a time frame
440 established by the authority.

441 (d) The Secretary of the Office of Policy and Management shall
442 annually issue to the municipality the incentive housing education cost
443 reimbursement as provided by this section not more than sixty days
444 after receiving the information required by this section.

445 (e) Residential units that are located within an approved incentive
446 housing zone that are part of a development that constitutes housing
447 for older persons permitted by the federal Fair Housing Act, 42 USC
448 3607 or sections 46a-64c and 46a-64d of the general statutes, shall not
449 be eligible for payments under this section.

450 Sec. 9. (NEW) (*Effective July 1, 2007*) (a) A zoning commission shall
451 prescribe, consistent with the provisions of sections 1 to 19, inclusive,
452 and sections 23 and 24 of this act, the form of an application for
453 approval of an incentive housing development. The time for and
454 procedures for receipt and processing of applications shall be as
455 provided in chapters 124 and 126 of the general statutes, as applicable.
456 A zoning commission may, to the extent allowed by the Freedom of

457 Information Act, conduct one or more preliminary or preapplication
458 planning or workshop meetings with regard to an incentive housing
459 zone or development. A zoning commission may conduct a public
460 hearing in connection with an application for site plan or subdivision
461 approval of an incentive housing development.

462 (b) The regulations of an incentive housing zone may require the
463 applicant for approval of an incentive housing development to pay the
464 cost of reasonable consulting fees for peer review of the technical
465 aspects of the application for the benefit of the zoning commission.
466 Such fees shall be deposited in a separate account of the municipality
467 and used only for expenses associated with the technical review of the
468 application by consultants who are not otherwise salaried employees
469 of the municipality or the zoning commission. Any amount in the
470 account remaining after payment of all expenses for technical review,
471 including any interest accrued, shall be returned to the applicant not
472 later than forty-five days after the completion of the technical review.

473 (c) The regulations of the incentive housing zone may provide for
474 the referral of a site plan or subdivision application to other agencies,
475 boards or commissions of the municipality for comment. If a site plan
476 or subdivision application is referred to another agency, board or
477 commission, such agency, board or commission shall provide any
478 comments within the time period contained in section 8-7d of the
479 general statutes that is applicable to such application.

480 (d) An incentive housing development shall be approved by the
481 zoning commission subject only to conditions that are necessary to (1)
482 ensure substantial compliance of the proposed development with the
483 requirements of the incentive housing zone regulations, design
484 standards and, if applicable, subdivision regulations; or (2) mitigate
485 any extraordinary adverse impacts of the development on nearby
486 properties. An application may be denied only on the grounds: (A) The
487 development does not meet the requirements set forth in the incentive
488 housing zone regulations; (B) the applicant failed to submit
489 information and fees required by the regulations and necessary for an

490 adequate and timely review of the design of the development or
491 potential development impacts; or (C) it is not possible to adequately
492 mitigate significant adverse project impacts on nearby properties by
493 means of conditions acceptable to the applicant.

494 (e) The duration and renewal of an approval of an incentive housing
495 development shall be governed by subsection (i) of section 8-3,
496 subsection (j) of section 8-3, section 8-26c or section 8-26g of the general
497 statutes, as applicable. The time to complete the work approved shall
498 be extended (1) by the time required to adjudicate to final judgment
499 any appeal from a decision of the commission on an incentive housing
500 development site plan or subdivision plan or any required coordinate
501 permit; (2) by the zoning commission if the applicant is actively
502 pursuing other permits needed for the development; (3) if there is
503 other good cause for the failure to complete such work; or (4) as
504 provided in an approval for a multiphase development.

505 (f) An applicant for approval of an incentive housing development
506 within an approved incentive housing zone may not make such
507 application nor take an appeal to the Superior Court utilizing the
508 provisions of section 8-30g of the general statutes.

509 (g) Approval of or amendment to regulations or design standards
510 for an incentive housing zone or subzone, or site plan or subdivision
511 approval of an incentive housing development, may be appealed to the
512 Superior Court pursuant to the provisions of section 8-8 or section 8-28
513 of the general statutes, as applicable, provided (1) upon motion made
514 to the court by the defendant municipality, zoning commission,
515 planning commission or applicant, the court shall order each appealing
516 party to post a bond in an amount sufficient to cover (A) each moving
517 defendant's anticipated attorney fees and costs for defending against
518 the appeal, and (B) if applicable, an applicant's anticipated or actual
519 costs to carry and maintain its interest in the subject property for a
520 period of one year, as established by affidavit filed with the court,
521 which bond shall be forfeited in the event that the appealing party
522 does not substantially prevail in the appeal; (2) any such appeal, upon

523 motion by any defendant made at any time after the return date, shall
524 be transferred from the judicial district to which it is returned to the
525 superior court for the judicial district of New Britain and shall be heard
526 and decided by one of the judges designated by the Chief Court
527 Administrator under section 8-30g of the general statutes; and (3) any
528 such appeal shall be a privileged case in the order of trial, to be heard
529 by the court as soon after the return day as is practicable.

530 Sec. 10. (NEW) (*Effective July 1, 2007*) (a) The Secretary of the Office
531 of Policy and Management shall be responsible for the administration,
532 review and reporting on the incentive housing zone program as
533 provided in sections 1 to 19, inclusive, and sections 23 and 24 of this
534 act.

535 (b) On or before January 1, 2009, and annually thereafter, the
536 secretary shall submit an annual report on the program to the General
537 Assembly in accordance with section 11-4a of the general statutes.
538 Each municipality shall submit to the secretary any data requested by
539 the secretary on the incentive housing program. The report shall be
540 based on such data and shall be for the period ending the last day of
541 the prior fiscal year. The report shall (1) identify and describe the
542 status of municipalities actively seeking letters of eligibility; (2)
543 identify approved incentive housing zones and the amounts and
544 anticipated schedule of zoning incentive and building incentive
545 payments under section 7 of this act, and education reimbursement
546 payments pursuant to section 8 of this act, during the prior and current
547 fiscal year; (3) summarize the amount of land area zoned for particular
548 types of development in both proposed and approved zones and the
549 number of developments being reviewed by zoning commissions
550 under section 9 of this act, including the number and type of proposed
551 residential units, the number of building permits issued, the number of
552 completed housing units and their type; (4) state the amount of zone
553 adoption and building permit payments and the amount of incentive
554 housing education cost reimbursement made to each municipality; and
555 (5) for the current and immediately succeeding fiscal years, estimate
556 (A) the anticipated number and size of proposed new incentive

557 housing zones over such time period; (B) the number and size of new
558 incentive housing zones that may be approved over such time period;
559 (C) the potential number of residential units to be allowed in such new
560 and proposed incentive housing zones; and (D) anticipated
561 construction of housing over such time period.

562 Sec. 11. (NEW) (*Effective July 1, 2007*) (a) The Secretary of the Office
563 of Policy and Management may require the municipality to repay to
564 the state all or part of the payments or reimbursements made to a
565 municipality under sections 1 to 19, inclusive, and sections 23 and 24 of
566 this act upon determination by the secretary that the municipality has
567 acted to discourage incentive housing development or to impose
568 arbitrary or unreasonable standards, requirements, delays or barriers
569 to the construction of housing following approval of an incentive
570 housing zone.

571 (b) The secretary shall adopt regulations, in accordance with the
572 provisions of chapter 54 of the general statutes, to implement the
573 provisions of this subsection. Such regulations shall include
574 procedures for notice and hearing.

575 Sec. 12. (NEW) (*Effective July 1, 2007*) (a) The Connecticut Health and
576 Educational Facilities Authority is authorized to issue bonds or other
577 obligations of the authority, in principal amounts in the aggregate not
578 to exceed three hundred fifty-five million dollars before the fiscal year
579 ending June 30, 2023, payable solely from and secured by state
580 assistance payments pursuant to section 13 of this act, for the purpose
581 of providing funds for zone adoption and building permit payments
582 pursuant to section 7 of this act.

583 (b) The authority is further authorized to issue bonds or other
584 obligations of the authority annually, payable solely from and secured
585 by state assistance payments pursuant to section 13 of this act, in
586 principal amounts in the aggregate not exceeding two billion three
587 hundred thirty million dollars before the fiscal year ending June 30,
588 2052, for the purpose of providing incentive housing education cost
589 reimbursement to such municipalities pursuant to section 8 of this act

590 and rental assistance to incentive housing sponsors pursuant to section
591 19 of this act.

592 (c) Any bonds issued by the authority for the purposes of subsection
593 (a) or (b) of this section and at any time outstanding may at any time or
594 from time to time be refunded by the authority, in whole or in part, by
595 the issuance of its refunding bonds in such amounts as the authority
596 may deem necessary or appropriate but not exceeding an amount
597 sufficient to refund the principal amount of the bonds to be so
598 refunded, any unpaid interest thereon, and any premiums,
599 commissions and costs of issuance necessary to be paid in connection
600 therewith.

601 (d) The Connecticut Health and Educational Facilities Authority
602 may pledge the state assistance authorized in section 13 of this act as
603 security for the payment of such bonds or refunding bonds issued by
604 said authority.

605 (e) The proceeds, if any, of bonds issued pursuant to subsection (a)
606 of this section shall be transferred to the State Treasurer for deposit in
607 the Housing for Economic Growth Fund established in section 14 of
608 this act for application in accordance with subsection (c) of section 15
609 of this act. No bonds shall be issued by the authority pursuant to this
610 section without prior authorization from the State Treasurer and the
611 Secretary of the Office of Policy and Management.

612 (f) Subject to the contract entered into with the state pursuant to
613 section 13 of this act, bonds issued by the authority under this section
614 may be sold at public or private sale, in such manner, at such price or
615 prices, at such time or times and on such other terms and conditions as
616 are consistent with the purposes and provisions of sections 1 to 19,
617 inclusive, and sections 23 and 24 of this act. Any bonds sold at private
618 sale pursuant to subsection (a) of this section may be sold directly to a
619 municipality, the consideration for which may be the establishment
620 and development of an incentive housing zone by such municipality in
621 lieu of cash or other form of payment. Any bonds sold at private sale
622 pursuant to subsection (b) of this section for the purpose of providing

623 funds: (1) For incentive housing education cost reimbursement, may be
624 sold directly to a municipality, the consideration for which may be the
625 construction and occupancy of one or more housing units within an
626 established incentive housing zone, in which there resides one or more
627 eligible students; and (2) for rental assistance, may be sold directly to
628 an incentive housing sponsor or, as may be required for the financing
629 of such housing, the assignee of such sponsor so long as such
630 assignment has prior approval of the secretary, the consideration for
631 which bonds may be the construction and occupancy of one or more
632 housing units within an established incentive housing zone, in which
633 not less than twenty per cent of the units are available subject to an
634 incentive housing restriction for a period of not less than thirty years.
635 In the discretion of the secretary, and pursuant to guidelines
636 established by the secretary, bonds or other obligations of the authority
637 may be sold to a municipality pursuant to subdivision (1) of this
638 subsection, notwithstanding that at the time of the issuance of such
639 bonds or other obligations, no eligible students reside in the housing
640 units for which financing will be provided.

641 (g) Any bonds or other obligations of the authority sold to a
642 municipality or sponsor at private sale pursuant to this section shall be
643 issued as capital appreciation bonds, and shall be subject to
644 redemption upon such terms established by the authority and agreed
645 to by the municipality or the sponsor, as the case may be. Any bonds
646 sold to a municipality or sponsor pursuant to this section shall be
647 registered in the name of the municipality or sponsor to which such
648 bond is issued and, except as otherwise provided in sections 1 to 11,
649 inclusive, of this act, shall not be transferable by such municipality or
650 sponsor except upon a default by the authority in the payment of
651 principal of or interest on such bond when due. At or prior to the
652 issuance of a bond or bonds of the authority to a municipality or
653 sponsor pursuant to this section, the authority shall receive from the
654 secretary, as a condition precedent to the issuance of such bond or
655 bonds, a certificate to the effect that the consideration for the issuance
656 of such bond or bonds by the authority complies with the provisions of

657 this section and is consistent with the purposes of sections 1 to 11,
658 inclusive, of this act.

659 (h) Any bonds issued by the authority pursuant to this section shall
660 be special obligations of the authority and shall not be payable from or
661 charged upon any funds other than revenues pledged therefor and
662 deposited in the Housing for Economic Growth Fund, established in
663 section 14 of this act. The authority or the state shall not be subject to
664 any liability thereon except to the extent of such pledged revenues.

665 (i) In the discretion of the authority, any bonds or other obligations
666 issued under the provisions of this section may be secured by a trust
667 agreement by and between the authority and a corporate trustee or
668 trustees, which may be any trust company or bank having the powers
669 of a trust company within or without the state. If such bonds are sold
670 directly to a municipality or a sponsor, the provisions of this section
671 shall preclude the authority from acting as trustee for the benefit of the
672 holders of such bonds or other obligations and, as trustee, the
673 authority shall have the right, power and authority to enforce the
674 obligations of the state under any contract entered into for state
675 assistance pursuant to sections 1 to 11, inclusive, of this act.

676 (j) The state of Connecticut does hereby pledge to and agree with
677 the holders of any bonds and other obligations of the Connecticut
678 Health and Educational Facilities Authority issued under this section
679 and with those parties who may enter into contracts with the authority
680 pursuant to the provisions of sections 1 to 19, inclusive, and sections 23
681 and 24 of this act that the state will not limit or alter the rights hereby
682 vested in the authority or revoke, amend or alter the state assistance
683 agreement until such bonds or other obligations, together with the
684 interest thereon, are fully met and discharged and such contracts and
685 state assistance agreement are fully performed on the part of the
686 authority and the state, respectively, provided nothing contained
687 herein shall preclude such limitation, revocation, amendment or
688 alteration if and when adequate provision shall be made by law for the
689 protection of the holders of such bonds and other obligations of the

690 authority or those entering into such contracts with the authority. The
691 authority as agent for the state is authorized to include this pledge and
692 undertaking for the state in such obligations or contracts.

693 Sec. 13. (NEW) (*Effective July 1, 2007*) (a) On and after July 1, 2007,
694 the State Bond Commission may authorize the State Treasurer and the
695 Secretary of the Office of Policy and Management to enter into a
696 contract or contracts to provide state assistance on bonds or other
697 obligations issued by the Connecticut Health and Educational Facilities
698 Authority pursuant to section 12 of this act. If authorized by the State
699 Bond Commission, the state, acting by and through the secretary and
700 the State Treasurer, shall enter into a contract or contracts with the
701 authority that provide that the state shall pay to said authority state
702 assistance on bonds issued by said authority for purposes of sections 1
703 to 19, inclusive, and sections 23 and 24 of this act, and costs of issuance.
704 Any such contract entered into pursuant to this section shall include
705 provisions the secretary and the State Treasurer find that are: (1)
706 Necessary to attain the purposes of sections 1 to 12, inclusive, of this
707 act; and (2) in the best interests of the state to allow that such state
708 assistance be paid by the state directly to the trustee or paying agent
709 for any bonds, refunding bonds or other obligations of the authority,
710 as applicable, with respect to which the state assistance is provided.
711 Any provision of any such contract entered into providing for
712 payments equal to annual debt service shall constitute a full faith and
713 credit obligation of the state and as part of the contract of the state with
714 the holders of any bonds, refunding bonds or other obligations of the
715 authority, as applicable, appropriation of all amounts necessary to
716 meet punctually the terms of such contract is hereby made and the
717 State Treasurer shall pay such amounts as the same become due. The
718 state, acting by and through the secretary and the State Treasurer and
719 without further authorization, may execute an amendment to any
720 contract providing state assistance as required in connection with the
721 issuance by the authority of any refunding bonds.

722 (b) Notwithstanding the provisions of any contract entered into by
723 the state with the Connecticut Health and Educational Facilities

724 Authority for state assistance, the bonds, refunding bonds or other
725 obligations of the authority to which such state assistance applies shall
726 not constitute bonds or notes issued or guaranteed by the state within
727 the meaning of section 3-21 of the general statutes.

728 Sec. 14. (NEW) (*Effective July 1, 2007*) (a) There is established a
729 separate, nonlapsing fund to be known as the "Housing for Economic
730 Growth Fund" to be held by the State Treasurer separate and apart
731 from all other moneys, funds and accounts. There shall be deposited in
732 the Housing for Economic Growth Fund: (1) Any amounts
733 appropriated by the state for the purposes of the incentive housing
734 zone program pursuant to sections 1 to 11, inclusive, of this act; (2) all
735 amounts representing repayment of the loans made by the state
736 pursuant to section 18 of this act; (3) repayments of state financial
737 assistance in connection with the incentive housing zone program
738 pursuant to section 11 of this act; (4) the proceeds, if any, of bonds or
739 other obligations issued by the Connecticut Health and Educational
740 Facilities Authority pursuant to section 12 of this act, net of the costs of
741 issuance incurred in connection with the issuance of such bonds or
742 other obligations; and (5) investment earnings on amounts on deposit
743 in the fund which are to be credited to the assets of the fund.

744 (b) Any moneys held in the Housing for Economic Growth Fund
745 may, pending the use or application thereof for an authorized purpose,
746 be invested or reinvested, as the case may be, in (1) such obligations,
747 securities and investments as are set forth in subsection (f) of section
748 3-20 of the general statutes; (2) in participation certificates in the Short
749 Term Investment Fund created under sections 3-27a and 3-27f of the
750 general statutes; and (3) participation units in the combined
751 investment funds, as defined in section 3-31b of the general statutes.
752 Proceeds from investments authorized by this subsection shall be
753 credited to the Housing for Economic Growth Fund.

754 (c) The State Treasurer shall establish such accounts and
755 subaccounts, if any, within the Housing for Economic Growth Fund as

756 may be necessary to effect the purposes of this section and to serve the
757 administrative convenience of the state.

758 (d) Moneys of the Housing for Economic Growth Fund shall be
759 used to fund the incentive housing zone program established pursuant
760 to sections 1 to 11, inclusive, of this act and shall be disbursed as
761 provided in section 15 of this act.

762 Sec. 15. (NEW) (*Effective July 1, 2007*) (a) For the purpose of
763 providing funds for (1) the annual administrative costs and expenses
764 of the incentive housing zone program, including any annual
765 administrative costs of the Connecticut Health and Educational
766 Facilities Authority incurred in connection with the issuance of its
767 bonds or other obligations pursuant to section 12 of this act; (2) grants-
768 in-aid to municipalities for technical assistance in establishing
769 incentive housing zones as provided in section 16 of this act; (3) grants-
770 in-aid to nonprofit housing or development corporations to provide
771 capacity building grants for the development of incentive housing
772 developments pursuant to section 17; and (4) in fiscal years ending
773 June 30, 2008, June 30, 2009, and June 30, 2010, zone adoption
774 payments pursuant to subsection (a) of section 7 of this act and
775 building permit payments pursuant to subsection (b) of section 7 of
776 this act, the State Treasurer shall, commencing in the fiscal year ending
777 June 30, 2008, and in each fiscal year until the fiscal year ending June
778 30, 2037, disburse moneys on deposit in the Housing for Economic
779 Growth Fund to the secretary, as follows: (A) In the (i) fiscal year
780 ending June 30, 2008, through the fiscal year ending June 30, 2017,
781 inclusive, in an amount equal to three million dollars; (ii) fiscal year
782 ending June 30, 2018, through the fiscal year ending June 30, 2022,
783 inclusive, in an amount equal to one million five hundred thousand
784 dollars; and (iii) fiscal year ending June 30, 2023, through the fiscal
785 year ending June 30, 2037, inclusive, in an amount equal to seven
786 hundred fifty thousand dollars, such moneys to be made available by
787 the secretary in equal annual amounts for such administrative costs,
788 grants-in-aid to municipalities and grants-in-aid to nonprofit housing
789 or development corporations; and (B) in the fiscal year ending June 30,

790 2008, through the fiscal year ending June 30, 2010, an amount not to
791 exceed in the aggregate ten million dollars, such moneys to be made
792 available by the secretary to municipalities as zoning incentive
793 payments and building incentive payments.

794 (b) Commencing in the fiscal year ending June 30, 2008, and in each
795 fiscal year thereafter, until the fiscal year ending June 30, 2022, moneys
796 on deposit in the Housing for Economic Growth Fund representing the
797 balance of amounts deposited therein pursuant to section 24 of this act,
798 investment earnings on amounts deposited therein pursuant to section
799 14 of this act, and repayments of loans made to municipalities
800 pursuant to section 18 of this act shall be available for disbursement to
801 the secretary in an annual aggregate amount not to exceed six million
802 dollars for the purpose of making loans to municipalities pursuant to
803 section 18 of this act.

804 (c) Moneys deposited in the Housing for Economic Growth Fund
805 from proceeds, if any, of bonds or other obligations issued by the
806 Connecticut Health and Educational Facilities Authority pursuant to
807 subsection (a) of section 12 of this act, and investment earnings
808 thereon, shall be disbursed to the secretary for the purpose of
809 providing funds for the payment of zone adoption payments and
810 building permit payments pursuant to section 7 of this act.

811 Sec. 16. (NEW) (*Effective July 1, 2007*) The Secretary of the Office of
812 Policy and Management shall, from funds disbursed from the Housing
813 for Economic Growth Fund established pursuant to section 15 of this
814 act, make grants to municipalities for the purpose of providing
815 technical assistance in the planning of incentive housing zones, the
816 adoption of incentive housing zone regulations and design standards,
817 the review and revision as needed of applicable subdivision
818 regulations and applications to the secretary for preliminary or final
819 approval as set forth in section 5 of this act. The secretary shall adopt
820 regulations, in accordance with the provisions of chapter 54 of the
821 general statutes, to implement the provisions of this section. Such

822 regulations shall establish procedures and criteria for application and
823 evaluation of applications.

824 Sec. 17. (NEW) (*Effective July 1, 2007*) The Secretary of the Office of
825 Policy and Management shall, from funds disbursed from the Housing
826 for Economic Growth Fund, established pursuant to section 15 of this
827 act, make grants to nonprofit housing or development organizations in
828 order to assist with planning, development, applications, construction
829 and administration of incentive housing developments. The secretary
830 shall adopt regulations, in accordance with the provisions of chapter
831 54 of the general statutes, to implement the provisions of this section.
832 Such regulations shall establish procedures and criteria for application
833 and evaluation of applications.

834 Sec. 18. (NEW) (*Effective July 1, 2007*) (a) Each municipality in which
835 the zoning commission has adopted an incentive housing zone shall be
836 eligible for a loan from moneys on deposit in the Housing for
837 Economic Growth Fund, established pursuant to section 15 of this act,
838 for infrastructure improvements that would make a geographic area of
839 the municipality more attractive and functional for an incentive
840 housing development. Such loans shall bear an interest rate of one per
841 cent per annum, and shall be repaid over a fifteen-year period,
842 commencing two years after the loan is made. Loan repayments shall
843 be deposited in the fund. Each loan shall be an amount that is equal to
844 the total of all housing units allowed in an incentive housing zone
845 times seven hundred fifty dollars.

846 (b) Each municipality eligible for a loan under this section may
847 apply to the Secretary of the Office of Policy and Management, on a
848 form prescribed by the secretary, for authorization of a loan for
849 infrastructure improvement projects. The secretary shall approve or
850 disapprove a completed application not more than forty-five days after
851 receipt of such application. Such application shall include a
852 certification by the municipality that (1) the project for which loan
853 assistance is requested is an infrastructure improvement project as
854 defined in subsection (c) of this section, and (2) the project would

855 benefit an incentive housing development to be located within an
856 incentive housing zone. The municipality shall provide any other
857 certification required by the secretary. Within available resources, the
858 secretary shall authorize such loan if the secretary determines that the
859 project meets the requirements set forth in this section and any other
860 requirement imposed by the secretary.

861 (c) As used in this section, "infrastructure improvement project"
862 means a municipal capital expenditure project for any of the following
863 purposes: (1) Road construction, renovation, repair or resurfacing; (2)
864 sidewalk and pavement improvements; (3) streetlights and signage; (4)
865 construction, renovation, enlargement or repair of sewage treatment
866 plants and sanitary or storm, water or sewer lines, including
867 separation of lines; (5) construction, renovation, enlargement or repair
868 of dams, bridges and flood control projects; (6) construction,
869 renovation, enlargement or repair of water mains; and (7) floodplain
870 management and hazard mitigation activities. An infrastructure
871 improvement project is limited to capital expenditures and includes
872 repairs incident to reconstruction and renovation but does not include
873 ordinary repairs and maintenance of an ongoing nature.

874 (d) A loan under this section may be used to pay the cost of an
875 infrastructure improvement that is not located within the boundaries
876 of an incentive housing zone, provided the municipality describes in
877 the application for the loan how such infrastructure improvement
878 would benefit an incentive housing development.

879 (e) If there is insufficient funding for infrastructure improvement
880 projects related to incentive housing zones in any fiscal year, priority
881 shall be given to those applications from municipalities with housing
882 incentive zones where development is unlikely to occur but for such
883 projects.

884 (f) Each municipality receiving an infrastructure improvement
885 project loan under this section shall retain detailed accounting records
886 of all expenses incurred relative to the infrastructure improvement
887 project for which a loan is received for a period of not less than three

888 years following the completion of such project. If the secretary
889 determines that such records are not maintained or a review of such
890 records indicates that such loan, or any portion thereof, was used for a
891 purpose other than its intended purpose, the secretary shall provide
892 written notification to the chief executive officer of the municipality of
893 such finding. Upon such determination, the secretary may require the
894 municipality to promptly pay to the state an amount equal to the
895 amount of the loan and an interest rate of eighteen per cent per annum.

896 Sec. 19. (NEW) (*Effective July 1, 2007*) (a) To encourage the creation
897 of additional rental housing, the Commissioner of Economic and
898 Community Development shall establish and implement a program of
899 rental assistance for low-income households living in a newly created
900 privately owned rental incentive housing development in an incentive
901 housing zone. For the purposes of this section, a low-income
902 household is a household whose income does not exceed fifty per cent
903 of the area median income.

904 (b) The state, acting by and in the discretion of the Commissioner of
905 Economic and Community Development in consultation with the
906 Secretary of the Office of Policy and Management, may enter into a
907 contract with an incentive housing sponsor to provide rental assistance
908 linked to a specific number of units in such housing which shall be set
909 aside for low-income households. Moneys for such rental assistance
910 shall be provided from bonds or other obligations issued by the
911 Connecticut Health and Educational Facilities Authority pursuant to
912 subsection (b) of section 12 of this act. Each contract to provide rental
913 assistance for units set aside for occupancy by low-income households
914 under this section shall remain in effect for at least thirty years.

915 (c) The commissioner shall, within available funds, upon request of
916 the owner or developer of rental units constructed as an incentive
917 housing development in conformance with the requirements of this
918 section, sections 1 to 18, inclusive, and sections 23 and 24 of this act,
919 provide rental assistance for the number of requested units up to ten
920 per cent of the new rental units in such development, and may, within

921 available funds, provide rental assistance for additional requested
922 units in such development, provided that in the aggregate, on a state-
923 wide basis, rental assistance provided under this section shall not
924 exceed five per cent of rental units constructed in incentive housing
925 developments.

926 (d) The commissioner shall adopt regulations, in accordance with
927 the provisions of chapter 54 of the general statutes, to carry out the
928 purposes of this section. Such regulations shall establish (1) maximum
929 income eligibility guidelines for such rental assistance, (2) maximum
930 rent for each assisted unit in an incentive housing development in a
931 manner that reasonably assures the rental assistance will be used, and
932 (3) criteria for determining the amount of rental assistance which shall
933 be provided so that the amount of such assistance shall be the
934 difference between thirty per cent of the adjusted gross income of the
935 low-income household less a utility allowance, and the contract rent.

936 Sec. 20. Subsection (c) of section 4b-21 of the general statutes is
937 repealed and the following is substituted in lieu thereof (*Effective*
938 *July 1, 2007*):

939 (c) If the secretary determines that such land, improvement, interest
940 or part thereof may properly be treated as surplus, he shall notify the
941 Commissioner of Public Works. If the secretary also determines that
942 such land, improvement or interest or part thereof was purchased or
943 improved with proceeds of tax exempt obligations issued or to be
944 issued by the state, he shall also notify the Treasurer. The
945 Commissioner of Public Works may sell, exchange or lease, or enter
946 into agreements concerning, such land, improvement, interest or part
947 thereof, after (1) notifying (A) the municipality or municipalities in
948 which such land, improvement or interest is located, [and] (B) the
949 members of the General Assembly representing such municipality or
950 municipalities, and (C) any potential developer of an incentive housing
951 development, as defined in section 1 of this act, who has registered
952 with the Commissioner of Economic and Community Development to
953 be notified of any such state surplus land, and (2) obtaining the

954 approval of (A) the Secretary of the Office of Policy and Management,
955 (B) the State Properties Review Board, and (C) the joint standing
956 committees of the General Assembly having cognizance of matters
957 relating to (i) state revenue and (ii) the purchase and sale of state
958 property and facilities, and (3) if such land, improvement, interest or
959 part thereof was purchased or improved with proceeds of tax-exempt
960 obligations issued or to be issued by the state, obtaining the approval
961 of the Treasurer. The Treasurer may disapprove such a transaction
962 only if the transaction would affect the tax-exempt status of such
963 obligations and could not be modified to maintain such tax-exempt
964 status. If a proposed agreement for such a conveyance has not been
965 submitted to the State Properties Review Board within three years after
966 the Commissioner of Public Works provides such notice to such
967 municipality and such members of the General Assembly, or if the
968 board does not approve the proposed agreement within five years
969 after such notice, the Commissioner of Public Works may not convey
970 such land, improvement or interest without again so notifying such
971 municipality and such members of the General Assembly. In the case
972 of a proposed lease of land, an improvement to land or an interest in
973 land, or any part thereof, with a person, firm or corporation in the
974 private sector, for a term of six months or more, the Commissioner of
975 Public Works shall comply with such notice requirement by notifying
976 in writing the chief executive officer of the municipality in which the
977 land, improvement or interest is located and the members of the
978 General Assembly representing such municipality, not less than two
979 weeks before seeking the approval of said secretary, board and
980 committees, concerning the proposed lease and the manner in which
981 the lessee proposes to use the land, improvement or interest. Each
982 agency, department or institution which informs the secretary that any
983 land, improvement or interest in land is not needed shall retain
984 responsibility for its security and maintenance until the Commissioner
985 of Public Works receives custody and control of the property, if any.
986 The Treasurer shall execute and deliver any deed or instrument
987 necessary to convey the title to any property the sale or exchange of
988 which or a contract for the sale or exchange of which is authorized by

989 this section.

990 Sec. 21. Subsection (c) of section 16a-31 of the general statutes is
991 repealed and the following is substituted in lieu thereof (*Effective July*
992 *1, 2007*):

993 (c) The secretary shall submit and the State Bond Commission shall
994 consider prior to the allocation of any bond funds for any of the actions
995 specified in subsection (a) an advisory statement commenting on the
996 extent to which such action is in conformity with the plan of
997 conservation and development. The provisions of this section shall not
998 apply to zone adoption and building permit payments authorized by
999 section 7 of this act and the incentive housing education cost
1000 reimbursements authorized by section 8 of this act.

1001 Sec. 22 (NEW) (*Effective July 1, 2007*) Notwithstanding the provisions
1002 of section 4-66b of the general statutes, the Secretary of the Office of
1003 Policy and Management, when making zone adoption and building
1004 permit payments authorized by section 7 of this act and the incentive
1005 housing education cost reimbursements authorized by section 8 of this
1006 act, shall not be required to provide a capital development impact
1007 statement.

1008 Sec. 23. (*Effective from passage*) (a) There is established a task force to
1009 study methods to increase the amount of public and private financing
1010 for housing within the state. Such study shall include, but not be
1011 limited to, an evaluation of the following:

1012 (1) Establishment of uniform underwriting criteria for the financing
1013 of multifamily housing;

1014 (2) Expansion of loan guarantees;

1015 (3) Utilization of mortgage insurance and other forms of credit
1016 enhancements provided by the Connecticut Housing Finance
1017 Authority to significantly expand the amount of public and private
1018 financing;

1019 (4) Enhancement of the affordable housing tax credit program under
1020 section 8-395 of the general statutes and historic tax credit programs
1021 under sections 10-416 and 10-416a of the general statutes to promote
1022 renovation of existing housing;

1023 (5) Expansion of the availability of project based rental assistance
1024 program certificates;

1025 (6) Coordination of financing to better utilize four per cent federal
1026 tax credits;

1027 (7) Encouragement of municipalities to utilize federal community
1028 development block grants to leverage additional financing of
1029 affordable housing; and

1030 (8) Provision of funds for inclusion of housing in intermodal
1031 transportation centers and transportation oriented design.

1032 (b) The task force shall consist of the following members:

1033 (1) One appointed by the speaker of the House of Representatives,
1034 who shall be an advocate for affordable housing;

1035 (2) One appointed by the president pro tempore of the Senate, who
1036 shall be a representative of a municipality with a population over one
1037 hundred thousand;

1038 (3) One appointed by the majority leader of the House of
1039 Representatives, who shall be a for-profit housing developer;

1040 (4) One appointed by the majority leader of the Senate, who shall be
1041 a nonprofit housing developer;

1042 (5) One appointed by the minority leader of the House of
1043 Representatives, who shall be a representative of the banking industry
1044 with experience financing multifamily housing;

1045 (6) One appointed by the minority leader of the Senate, who shall be
1046 a representative of a municipality with a population less than one
1047 hundred thousand;

1048 (7) The Commissioner of Economic and Community Development,
1049 or the commissioner's designee;

1050 (8) The chairman of the Connecticut Housing Finance Authority, or
1051 the chairman's designee;

1052 (9) The State Treasurer, or the Treasurer's designee;

1053 (10) The chairpersons of the select committee of the General
1054 Assembly having cognizance of matters relating to housing, or their
1055 designees;

1056 (11) The ranking members of the select committee of the General
1057 Assembly having cognizance of matters relating to housing, or their
1058 designees; and

1059 (12) The Secretary of the Office of Policy and Management, or the
1060 secretary's designee.

1061 (c) All appointments to the task force shall be made not later than
1062 thirty days after the effective date of this section. Any vacancy shall be
1063 filled by the appointing authority.

1064 (d) The chairpersons of the select committee of the General
1065 Assembly having cognizance of matters relating to housing shall be the
1066 chairpersons of the task force. Such chairpersons shall schedule the
1067 first meeting of the task force which shall be held not later than sixty
1068 days after the effective date of this section.

1069 (e) Not later than January 1, 2008, the task force shall submit a
1070 report on its findings and recommendations to the select committee of
1071 the General Assembly having cognizance of matters relating to
1072 housing, in accordance with the provisions of section 11-4a of the

1073 general statutes. The task force shall terminate on the date that it
1074 submits such report or January 1, 2008, whichever is earlier.

1075 Sec. 24. (*Effective from passage*) For the purpose of capitalizing the
1076 Housing for Economic Growth Fund created by section 14 of this act,
1077 the sum of sixty million dollars is hereby appropriated from the
1078 surplus in the General Fund for the fiscal year ending June 30, 2007, as
1079 certified by the State Comptroller on or prior to September 15, 2007.
1080 Such sum, together with investment earnings thereon and repayments
1081 of municipal loans made therefrom, shall be applied as provided in
1082 section 15 of this act to provide funds for (1) the administrative costs
1083 and expenses of the incentive housing zone program; (2) grants-in-aid
1084 to municipalities and nonprofit housing or development corporations
1085 pursuant to sections 16 and 17 of this act, as applicable; and (3) loans to
1086 municipalities pursuant to section 18 of this act, provided for the fiscal
1087 years ending June 30, 2008, June 30, 2009, and June 30, 2010, such sum
1088 may also be used to provide funds for zone adoption payments
1089 pursuant to subsection (a) of section 7 of this act and building permit
1090 payments pursuant to subsection (b) of section 7 of this act.

1091 Sec. 25. (*Effective from passage*) Notwithstanding the limitation on the
1092 period of a contract pursuant to section 8-216 of the general statutes,
1093 the Commissioner of Economic and Community Development shall
1094 enter into an agreement with the city of New Britain to continue the
1095 tax abatement and grant-in-aid applicable to Interfaith Housing on
1096 Ellis Street in New Britain pursuant to said section 8-216.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2007	New section
Sec. 2	July 1, 2007	New section
Sec. 3	July 1, 2007	New section
Sec. 4	July 1, 2007	New section
Sec. 5	July 1, 2007	New section
Sec. 6	July 1, 2007	New section
Sec. 7	July 1, 2007	New section
Sec. 8	July 1, 2007	New section

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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$	Future Fiscal Years
Treasurer, Debt Serv.	GF - Cost	See Below	See Below	See Below
Department of Economic & Community Development	GF - Cost	See Below	See Below	See Below
Department of Revenue Services	GF - Revenue Gain	None	None	Potential

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	Future Fiscal Years
Various Municipalities	Revenue Gain	Potential

Explanation

Bonding Provisions

Section 12a permits the Connecticut Health and Educational Finance Authority (CHEFA) to issue up to \$355 million in CHEFA bonds for zoning and building incentive payments. Under the contract assistance agreement in Section 13 the state is obligated to pay the debt service on the bonds out of the General Fund, including the cost of issuance. Since the bonds will be issued as taxable, the General Fund debt service cost is \$578.7 million assuming a 20 year term of issuance at a 6.0% rate of interest. Section 13 excludes the bonds from the statutory cap on General Obligation (GO) bonds.

Section 12b permits CHEFA to issue up to \$2.33 billion in promissory notes or certificates of participation to provide payments to municipalities for educational costs and rental assistance payments to

developers. Under the contract assistance agreement in Section 13 the state is obligated to pay the debt service on notes out of the General Fund. The estimated General Fund cost is \$2.43 billion between FY 10 and FY 52, which assumes an inflation rate of 3.5%. Section 13 excludes the debt from the statutory cap on General Obligation (GO) bonds.

General Fund Appropriation

Section 24 appropriates \$60 million from the FY 07 budget surplus to capitalize the Housing for Economic Growth Fund. sHB 7077, the budget bill favorably reported by the Appropriations Committee, appropriates \$4 million to DECD for this purpose.

Department of Economic and Community Development (DECD)

It is anticipated that DECD will require additional staff to establish and implement a program of rental assistance for low-income households in incentive housing zones (IHZs). DECD will require 2 additional Housing and Community Development Agents at annual cost of approximately \$100,000 for salaries plus fringe benefits¹. Exact staffing needs would be based on program demand and funding. Costs to DECD to fund the rental assistance payments could be significant and would depend upon the number of units developed. It is estimated that \$2.8 million in additional funds are required to meet the total funding needed to assist all of the eligible tenants under the current DECD assistance program. It is also anticipated that the DECD will require additional resources of \$5,000 to adopt the required regulations.

Section 25 requires DECD to continue reimbursing New Britain for the tax abatement to the Interfaith Housing Project beyond the 40 year

¹ 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 for a new employee as a percentage of average salary is 25.8%, effective July 1, 2006. 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

period, potentially increasing future costs to the state. The current contract expiration for this project is 2010 and the reimbursement based on current payments is \$38,700. However, it should be noted that no funds are provided for the tax abatement program in sHB 7077, the budget bill that was favorably reported by the Appropriations Committee.

Education Cost Reimbursement to Towns

Section 8 will result in a potential revenue gain to towns in future fiscal years because it requires the state to annually reimburse towns for some of the costs they incur to educate children residing in incentive housing developments (IHDs). The potential revenue gain cannot be estimated because it will depend on local actions with regard to IHDs and the number of children that potentially reside in IHDs. The reimbursements are funded out of the proceeds of the CHEFA bonds authorized in Section 12b.

The Out Years

The bill provides funding for various zoning, building, education, and rental assistance incentives to encourage the construction of affordable housing. If these incentives lead to an increase in this type of housing, there may be an expansion of the state's economy associated with such factors as increased construction activity, an influx of new residents from out of state and job creation. Such an expansion would be expected to result in increased state revenue collections (particularly for the Sales Tax and the Personal Income Tax), which could offset at least a portion of the General Fund debt service costs associated with the CHEFA bonds.

SERS 2006-07 fringe benefit rate is 34.4%, which when combined with the non pension fringe benefit rate totals 60.2%.

OLR Bill Analysis**sSB 1057*****AN ACT ESTABLISHING A PROGRAM OF HOUSING FOR ECONOMIC GROWTH.*****SUMMARY:**

This bill provides a range of incentives to towns that choose to zone land for developing housing mainly in developed areas where transit facilities, infrastructure, and complementary uses already exist. These incentive housing zones (IHZs) must allow developers to build housing at higher densities than are normally allowed in that area. They must allow them to do so as a matter of right if they make at least 20% of the units affordable to low- and moderate-income people for at least 30 years (i.e., incentive housing developments (IHDs)).

The bill specifies the process for establishing zones, adopting the implementing regulations and design standards, and approving projects in them. The Office of Policy and Management (OPM) secretary must approve each zone and the regulations before a town and an IHD sponsor qualifies for the incentives.

All towns qualify for grants to identify potential IHZs and draft the implementing regulations and design standards. The other incentives are tied to general stages in the development process. Most are available only after OPM certifies that specified tasks were completed or conditions met.

1. If OPM approves a proposed IHZ and the town's zoning commission adopts it, the town qualifies for a \$2,000 grant for each unit that can be built in the zone. The grants are available from FYs 08 to 23.
2. The town qualifies for a low-interest loan to develop the

infrastructure needed to support an IHD. The loans are available from FYs 08 to 22.

3. It receives another grant for each building permit it issues for an IHD in the zone. The grant is \$2,000 for each multifamily unit and \$5,000 for each single-family detached unit. These grants are also available from FYs 08 to 22.
4. Lastly, the state annually reimburses the town for its net cost of educating the school children who reside in the IHD. The bill specifies the formula for calculating reimbursement amount. The reimbursements are available from FYs 08 to 52.

The bill also provides funds for developers. Nonprofit housing and development corporations qualify for grants to develop the technical capacity to plan and implement housing projects. Private developers qualify for rent subsidies to make units in an IHD affordable to lower-income people. Developers may also receive notice about state surplus property.

The bill funds the incentives with appropriations and bond proceeds. It appropriates \$60 million from the FY 07 surplus for specified grants and OPM's administrative costs and \$68 million over 29 years for these purposes. Lastly, it authorizes the Connecticut Health and Educational Facilities Authority (CHEFA) to issue up to \$2.7 billion in bonds over 45 years for the incentive grants and the education reimbursements. The money from these sources must go into the Housing for Economic Growth Fund, which the bill establishes in the General Fund.

The bill secures these bonds with state payments to CHEFA. It specifies that these payments constitute the state's full faith and credit. The payments do not constitute debt against the state's bond cap.

OPM must annually report to the legislature on the status of the IHZs and their accomplishments. It may recapture grants from towns that do things to discourage or delay projects in state-approved IHZs.

The bill establishes a 14-member task force to report on ways to increase public and private financing for multifamily housing. It must submit its report to the legislature by January 1, 2008.

The bill requires the economic and community development commissioner to continue reimbursing New Britain for the tax abatement it granted to the Interfaith Housing project on Ellis Street beyond the maximum 40-year statutory period for the reimbursement. Current law allows towns to abate the taxes on privately owned housing projects for low- and moderate-income people. It also allows the commissioner to reimburse towns for the property tax revenue they lose.

EFFECTIVE DATE: July 1, 2007, expect that the provisions appropriating FY 07 surplus funds, establishing the task force, and providing for reimbursement to New Britain for a housing project beyond the statutory deadline take effect upon passage.

INCENTIVE HOUSING ZONES (IHZS)

§ 1 (11)—*Incentive Housing Developments (IHDs)*

Towns qualify for the bill's incentives if they establish zones that allow IHDs, which can consist entirely of residential units or a mix of these units and stores, offices, and other uses. In either case, the residential units can be single-family homes or multi-family dwellings containing at least three units. But at least 20% of the units must be affordable to low- and moderate-income people.

People fall in this bracket if they earn no more than 80% of the area's median household income, adjusted for family size, as determined by the U.S. Department of Housing and Urban Development. A unit is affordable if it costs no more than 30% of a person's annual income to live there.

Affordable units must remain that way for at least 30 years. Developers must comply with this requirement by imposing deeds, covenants, or other restrictions requiring their owners them to sell or rent the units only to low-and moderate income people at prices they

can afford. Developers must record these restrictions in its land records.

An IHD's sponsor may impose more stringent affordability requirements. The sponsor can increase the share of affordable units and target them to low-income people, such as those earning no more than 50% of the area median income. It can also require these units to remain affordable for more than 30 years. In any case, it must incorporate these requirements in the deeds, covenants, or other restrictions imposed on the affordable units. The commission cannot reject a project because the sponsor chose to do this.

An IHD may involve new construction; substantial rehabilitation; or the conversion of existing commercial, industrial, or institutional buildings into residences.

§ 2 — Establishing Zones

The town receives the incentives only for IHDs that were developed in a state-approved incentive housing zone. The town's zoning commission must establish the IHZ as an overlay zone. Overlay zones rest on top of existing zones and usually impose additional requirements or restrictions intended to protect the area's unique characteristics. Establishing an IHZ does not affect the commission's power to adopt or amend regulations under the statutes or a special act.

Under the bill, the IHZ's requirements apply only incentive housing developments proposed in the underlying zone. The IHZ regulations must designate these developments as permitted uses and allow them as a matter of right. As such, the zoning commission may deny them only if they do not meet the requirements specified in the regulations. (Zoning commissions usually have discretion about whether to allow a proposed use that is not expressly permitted in a zone.)

The commission may overlay the IHZ over an area: (1) near a transportation facility; (2) where homes, stores, and offices are located close together (e.g., village center); or (3) where existing, planned, or

proposed infrastructure, access to transportation, or underutilized facilities or locations make the area suitable for IHDs. The IHZ's regulations may allow projects that mix homes and apartments with stores, offices, and other nonresidential uses as long as they are compatible with the bill's minimum required housing densities.

The IHZ may overlay a local historic district. Conversely, the town may create an historic district in the IHZ, but the district's regulations must be compatible with the IHZ's. In other words, those regulations must not be so restrictive as to preclude incentive housing developments.

The town may establish separate zones and subdivide them into subzones, but the bill limits the zones' size. Each zone may cover no more than 10% of the town's total land area, and all the zones together can cover no more than 25% of that area.

The bill specifies the minimum densities the zoning commission must incorporate in the IHZ regulations. It requires the commission to allow these densities only on developable land, which generally excludes parks, wetlands, dedicated open space land, public and privately owned property slated for public uses, and other land where restrictions prohibit development. The minimum densities are:

1. six units per acre for single-family detached homes,
2. 10 units per acre for duplex or townhouses, and
3. 20 units per acre for multifamily housing.

Even though the bill sets minimum densities, the commission may have to set higher ones, depending on permitted densities of the underlying zone. The IHZ's densities must be at least 25% greater than the minimum density of the underlying zone. In other words, the commission can adopt the bill's minimum density for single-family detached homes (i.e., six units per acre) if the density for these structures in the underlying zone is three or fewer units per acre, but must set a higher minimum density if the density in the underlying

zone is four or more units per acre.

The bill specifies lower minimum densities for towns with fewer than 5,000 people according to the most recent federal decennial census. But these towns cannot adopt these densities without the OPM secretary's approval. The reduced densities are four units per acre for single-family homes, six per acre for duplex or townhouses, and 10 units per acre for multifamily housing.

The secretary may approve these lower densities if the town can show that the proposed IHZ lacks the sewage disposal; water supply; road system; and other existing, substantial infrastructure needed to support housing at the higher minimum densities. The secretary must allow the lower densities if the proposed IHZ meets the bill's other requirements.

The zoning commission must treat the densities as objective criteria used to approve site plans or subdivisions. It cannot impose special conditions, requirements, and standards on projects meeting the minimum densities as it can on applications for special permits or exceptions.

§ 1(13) — Incentive Housing Sponsors

Several types of entities can sponsor an IHD. The sponsor can be the owner or developer who acquired or constructed the development, the one who operates it, any other appropriate entity, or a person who owns or occupies a unit in the IHD. The sponsor can also be the town acting as the trustee, agent, or representative of these entities.

§ 3 — Adopting Design Standards for the IHZ

The IHZ's regulations may include design standards, which the commission must submit to the OPM secretary for approval. The standards may insure that a proposed new development complements existing buildings and structures and the zone's housing plan. They may do so by addressing building scale and proportion; site coverage; street and sidewalk alignment, width, and grade; type and location of infrastructure; building locations and garage entrances; off-street

parking; significant natural sites; location and design of open spaces; signage; and setbacks and buffering.

The standards cannot increase development costs to the point where low- and moderate-income people cannot afford the units reserved for them. As discussed below, the secretary may disapprove a proposed IHZ if the standards could have this effect. This is the only reason why he may disapprove the standards.

§ 2(c) & (d) — Existing Regulatory Standards

The IHZ's standards are in addition to those of the underlying zone, and a proposed IHD must comply with these as well. But the bill allows the commission to modify, waive, or delete those standards of the underlying zone that mainly govern where structures can be placed on a lot. These include building height limits, the minimum distances between structures and roads, the minimum amount of space a structure must cover on a lot, the number of parking spaces per structure, and road design standards.

An IHD that includes subdividing land for building detached single-family homes must comply with the town's subdivision regulations. In these cases, the bill requires the zoning commission to make a written finding that the subdivision regulations will not cancel out the economic benefits of building more units per acre than normally allowed.

The zoning commission must do its best to promote subdivision regulations that further the IHZ's purpose. But its ability to do so depends on whether the town placed the zoning and subdivision functions under one roof. If the zoning and planning commissions are separate, then the zoning commission must encourage the planning commission to adopt cluster regulations, zero lot-line requirements, and other requirements that tend to reduce development costs and make housing more affordable. If the commissions are combined, then the combine commission must adopt these subdivision standards.

§§ 4&5 — State Approval for Proposed IHZs

The town becomes eligible for the incentives only after the OPM secretary approves the proposed IHZ in a two-step process. The town must first apply to the secretary for a preliminary determination as to whether the proposed IHZ qualifies it for the zone adoption, building permit, and education cost reimbursement grants described below. The application must:

1. identify and describe the proposed IHZ's boundaries;
2. identify, describe, and calculate the amount of developable land in the zone;
3. identify and describe existing and potential residential development and potential reuse of existing or underutilized buildings in the zone; and
4. calculate the number of residential units that may be constructed in the zone under the proposed implementing regulations.

The application must include:

1. copies of the IHZ regulations and design standards and, if the zone includes unsubdivided parcels, the subdivision regulations;
2. a copy of the restrictions to be imposed on the affordable units in an IHD and the plan for administering and enforcing those restrictions;
3. a plan describing the zone if it were fully developed under those regulations (i.e., build-out analysis).

The plan must describe the zone and how the town intends to develop it. Specifically, it must describe:

1. the infrastructure that already exists in the zone and the infrastructure the town plans to construct,

2. the extent to which the proposed IHZ is compatible with other proposed and existing uses, and
3. how the town will support and promote the type of residential development the zone's regulations allow.

The secretary must reply to the town within 60 days after receiving its application. The bill implicitly allows people and organizations to be notified when a town requests a preliminary determination of eligibility. A party can receive notice by submitting a written request to the secretary, along with its e-mail address. At least 30 days before responding to the town, he must electronically notify all parties that requested the notice.

The secretary must deny the town's application if the proposed IHZ or its design standards fails to meet the bill's criteria. It also requires him to deny the application if the zone's regulations and design standards would make government funded projects, including those receiving rent subsidies, physically or economically infeasible. But he cannot reject an application on these grounds if a developer tells him in writing that the standards will not have this effect. The developer's statement counts only if he has submitted an IHD application to the commission or intends to do so.

If the secretary does not reply within the 60-day period, the application is rejected but the town may reapply for a preliminary determination. If the secretary determines that the proposed IHZ does not satisfy the bill's criteria, he must explain why in his written reply to the town. The town can reapply, but only after it addresses the secretary's reasons for denying the previous application.

If the secretary approves the proposed regulations and design standards, he must send it a preliminary letter of eligibility. The second step occurs after the zoning commission adopts them. The town must notify the secretary to that effect and request final approval. Within 30 days after receiving the town's notice, the secretary must send a letter to the town granting that approval. But, if he does not

respond with 30 days, he tacitly denies final approval, in which case the town must reapply for a preliminary determination of eligibility.

The zoning commission cannot amend the regulations and design standards without the secretary's approval. The process for approving them is the same as the one for approving the original regulations and standards. But the secretary has 45 instead of 60 days to decide whether to issue the preliminary letter of eligibility for proposed amendments to the design standards.

§ 9(g) — Appeals

Under the bill, parties can appeal to Superior Court the commission's decisions to (1) adopt or amend IHZ regulations and design standards and (2) approve the IHD site plan or subdivision applications. They may do so according to the same statutory procedures for appealing zoning and planning commission decisions, but the bill adds other procedural requirements.

The court must order each appealing party to post a bond if the town, the zoning or planning commission, or the applicant makes a motion to that effect. It must set the bond at an amount that will cover the town's anticipated attorney fees and costs and, if applicable, the applicant's actual or anticipated costs of carrying and maintaining the property for one year. The one-year period must have been specified in an affidavit filed with the court. The bond must be forfeited if the appellant does not substantially prevail in the appeal.

The court must transfer the appeal to the New Britain judicial district if any of the defendants move to do so after the return date. The chief court administrator must assign the appeal to one of the judges designated to hear appeals under the affordable housing land use appeals procedure.

Lastly, the court must treat the appeal as a privileged case and hear it as soon after the return day as is practicable.

§ 6 — Annual Compliance Certification

The town can approve projects under the IHZ and qualify for incentives only after the secretary grants final approval to the zone's regulations and design standards and any subsequent amendments. But the secretary must annually certify that the town remains eligible to receive the multi-year housing education cost reimbursement and avoid repaying any other incentives it already received. He must adopt procedures for obtaining that certification.

To obtain certification, the town must verify that:

1. the zoning commission did not amend or repeal the IHZ regulations or design standards without the secretary's approval;
2. the secretary did not revoke the zone's approval;
3. the town is making reasonable efforts to assist and promote IHDs and housing construction in the zone;
4. the commission did not unreasonably deny site plan, subdivision, or necessary coordinating permits and approval; and
5. it denied approval only when applicants failed to provide the information needed to approve a proposed development.

If the town verifies these facts within the time the secretary's procedures require, the secretary must issue a certificate of compliance by October 1. If the secretary finds that the town is not in compliance, he may revoke its certificate after holding a hearing on the issue. In doing so, he must follow the statutory procedures for conducting public hearings. The revocation affects only the town's eligibility for incentives; it does not invalidate the IHZ regulations or the way the commission has applied them to approved proposed projects.

§ 9 — Approving a Proposed IHD

The bill requires the zoning commission (or combined planning and zoning commission) to review and approve proposed IHDs under the

same schedules and procedures for reviewing and approving proposed projects under the zoning and subdivision statutes. But the commission must prepare an application form specifically for reviewing and approving IHDs, and that form must be consistent with the bill's requirements.

The bill allows the commission to conduct planning meetings or workshops on IHZs or projects. In doing so, it must comply with the Freedom of Information Act's public meetings and information disclosure requirements.

The bill allows the commission to hold a public hearing on a site plan or subdivision application for an IHD. The law already allows commissions to decide whether to hold a hearing on these applications.

The IHZ's regulations may allow the commission to impose fees to hire outside consultants needed to review an application's technical aspects. The commission must deposit the fees in a separate account and use the money only to pay the consultants. It must return any unspent funds, plus accrued interest, to the applicant within 45 days after the consultants complete their review.

The regulations may also allow the commission to refer IHD site plan or subdivision applications to other agencies, boards, and commissions for comment. By law, the commission must refer any application that affects a wetlands to the inland wetlands agency (CGS §§ 8-3(g) and 8-26).

These entities must comment on these referrals under the same the statutory deadlines for commenting on site plans or subdivision applications referred to them. The deadline for an inland wetlands agency depends on whether it holds a hearing on the application. If the agency chooses to hold a hearing, it has up to 165 days from receiving the application to make decision. If the agency chooses not to hold a hearing, it must act within 65 days from when it received the application.

The bill limits the extent to which the commission can approve an IHD with conditions. The commission may impose conditions needed only to insure that the developer substantially complies with the zone's regulations; design standards; and, if applicable, subdivision regulations. It may also impose conditions needed to mitigate any of the IHD's extraordinary adverse effects on nearby properties.

The bill allows the commission to deny an IHD application only if:

1. it fails to meet the zone's regulations,
2. the applicant's failure to submit the required fees and information prevented the commission from adequately and timely reviewing the project's design and identifying its development impacts, and
3. it is impossible to adequately mitigate the project's adverse effects on nearby property in a way the applicant accepts.

The bill's requirements for completing an IHD or renewing its approval are the same as those under the law. If the project involves fewer than 400 dwelling units, the developer has five years to finish the work. The commission may extend this deadline for up to 10 years from when it approved the site plan. If the project involves 400 or more units, the developer has 10 years to complete it.

But the bill specifies conditions under which the commission must extend an IHD's completion deadline. If the developer appealed the commission's decision regarding the project, the commission must extend the deadline by the time needed to resolve the appeal. The commission must also extend the deadline if (1) the applicant is actively pursuing other required permits or cannot complete the work on time for good cause or (2) it allowed for this when it approved the project.

The bill prevents a developer from using the affordable housing land use appeals procedure when proposing an IHD. The procedure allows a developer to appeal a town's decision rejecting an affordable

housing project to Superior Court under rules that require the town to defend its decision. The bill bans the developer from submitting an application under that procedure if he or she submitted it under the IHZ regulations. It also prohibits the developer from using the procedure to appeal the commission's decision regarding the proposed IHD.

INCENTIVES

The bill funds the following incentives with FY 07 surplus funds, CHEFA bonds, and General Fund appropriations and establishes a nonlapsing fund in the General Fund where these monies must be deposited.

§ 16 — Planning Grants for Towns

The bill authorizes grants to towns for planning IHZs, drafting implementing regulations and design standards, and reviewing and revising applicable subdivision regulations. Towns can also use the grants to prepare the information they must submit to the secretary when applying for preliminary or final eligibility. The secretary must adopt regulatory procedures and criteria for awarding the grants.

§ 17 — Technical Assistance Grants for Nonprofit Housing or Development Organizations

The bill authorizes secretary to make grants to nonprofit housing or development organizations to develop the technical capacity to plan and implement IHDs. The secretary must adopt regulatory procedures and criteria for awarding the grants.

§ 7(a)&(c) — Zone Adoption Grants

The bill authorizes grants to towns where the zoning commission adopted IHZ regulations and design standards. The secretary must pay the grants after he confirms that the commission did so. The grant must equal \$2,000 for each unit that can be built in the zone as part of an IHD. Units developed specifically for older persons under federal or state law do not qualify for grants.

§ 18 — Infrastructure Loans

Towns can apply for infrastructure loans after the secretary grants final approval to their IHZs. A town must use the loan to develop infrastructure needed to support an IHD. Consequently, this includes developing infrastructure outside the IHZ site if it supports the IHD (e.g., connecting the IHD to an off-site sewer line). Infrastructure work includes:

1. constructing, renovating, repairing, or resurfacing roads;
2. improving sidewalks and pavements;
3. installing street lights and signs;
4. constructing, renovating, enlarging, or repairing sewage treatment plants and sanitary or storm, water, or sewer lines, including separation lines;
5. constructing, renovating, enlarging, or repairing dams, bridges, flood control projects, and water mains; and
6. managing floodplains and implementing mitigation measures.

The loans can cover only labor and material costs. They may not cover ordinary repairs or ongoing maintenance to existing infrastructure that is not being renovated or repaired to support the IHD.

The loan amount equals \$750 for each unit that can be built in the zone. The interest rate is 1% per year and the repayment term is 15 years. The repayments go into the fund the bill establishes to make the incentive payments (see below).

The town must apply to the OPM secretary for the loan on a form he prescribes. The secretary must act on the application within 45 days after receiving it. In applying for the loan, the town must certify that it will use the money to construct or improve infrastructure benefiting an IHD. If the town intends to use the loan to develop infrastructure outside an IHZ, the application must describe how the infrastructure

will benefit an IHD. The application must also provide any other certification the secretary requests.

Within available resources, the secretary must authorize the loan if the infrastructure project meets the bill's criteria and any other requirements he imposes. If there are not enough funds for each loan request, the secretary must choose those requests supporting proposed IHDs that cannot process without infrastructure improvements.

Towns receiving infrastructure loans must comply with the bill's record keeping requirements. A town must keep detailed accounting records for at least three years from when it completed the infrastructure work. The secretary must notify the town's chief executive officer in writing if he determines that the town failed to keep the required records or used the funds for other things besides the infrastructure improvements. In these situations, he can require the town to promptly pay the state the loan amount plus 18% interest per year.

§ 7(b) — Building Permit Grants

The bill also authorizes grants to towns for each building permit they issue in an IHD. The grant equals \$2,000 for each multifamily, duplex, and townhouse unit and \$5,000 for each single-family detached unit.

The OPM secretary must pay the grants after a town submits proof that it issued the permits. First he must verify that no one appealed or challenged this action. He must pay the grants within 60 days after receiving proof that the permits were issued and no one appealed or challenged them.

Units developed specifically for older persons under federal or state law do not qualify for grants.

§ 19 — Rental Assistance Payments

The bill authorizes the economic and community development commissioner to subsidize rents for low-income people in new,

privately owned IHDs. The subsidies go to sponsors, who must apply them to units occupied by households earning no more than 50% of the area median income. These “project-based” subsidies must attach to these units for at least 30 years.

The commissioner must provide the subsidies within available resources to developers who request them. He must do so under a contract that ties the subsidies to a specified number of reserved units. The commissioner must consult with the secretary when negotiating the contract. The funds for the subsidies must come from the bonds the bill authorizes for this and other purposes (see below).

The bill allows the commissioner to subsidize up to 10% of the new rental units in an IHD. He may, within available funds, subsidize more, but the bill caps the number of units he can subsidize statewide at 5% of all newly constructed IHD rental units.

The commissioner must adopt regulations for administering the subsidies. He must establish maximum eligibility guidelines and the maximum rents that the sponsor can charge. In setting the maximum rents, the commissioner must insure that the subsidy is used to reduce the rent to a level the tenant can afford. The regulations must also specify the criteria the commissioner must use to determine the subsidy’s amount, which must equal the difference between 30% of the tenant’s adjusted gross income minus a utility allowance, and the contract rent.

§ 8 — Education Cost Reimbursements

The bill requires the state to annually reimburse towns for some of the costs they incur to educate children living in IHDs. It funds these reimbursements out of the proceeds of the bonds the bill authorizes CHEFA to issue (see below).

A town’s annual reimbursement is based on the number of children between ages five and 17 who reside in an approved IHD and attend public schools. The town must annually identify these children and include them in the data it submits annually for the state to use to

calculate the town's annual education equalization grant. The town must annually update the data to account for children who moved into or out of an IHD. The reimbursement for the subsequent fiscal year will reflect the number of children identified.

The reimbursement equals the amount the town spends to educate the children in the IHDs with property tax revenues, and the bill specifies a formula for determining that amount.

1. The town determines the cost for educating all school children (i.e., "eligible education costs) by calculating its regular program expenditures as it does for education cost sharing grants. It adds to that total the amount it spent on special education and public transportation for the prior year. The town subtracts from this sum all state aid, federal tuition, and other revenue it received for special education and public transportation. (Towns participating in a regional school district base their share of these costs on their share of the district's total enrollment.)
2. The town divides the eligible education costs by the number of resident students to determine the eligible education cost per student.
3. It multiplies that cost by the number of students identified as residing in the IHD.
4. The town must subtract the increase in state education cost sharing funds attributed to the children residing in the IHD and half of the new property revenue it generates.

The town begins receiving the reimbursements in the fiscal year after the submitting the data that identified the children in the IHD which is done on December 1. It continues receiving reimbursements for these children as long as they reside in the IHD. The town must certify the number of children to CHEFA so that it can issue enough bonds to fund the reimbursements. The OPM secretary must pay the

grant within 60 days after receiving the information identifying the children in the IHD.

Unit developed specifically for older persons under federal or state law do not qualify for grants. It is not clear if this requirement has any effect since households with children cannot reside in these units.

§§ 20, 21, & 22 — Other Benefits

The bill creates a mechanism through which the state must notify potential IHD developers about surplus state property. Current law requires the public works commissioner to notify the town where the state property is located and the legislators representing the town. To receive notice, a developer must register with the economic and community development commissioner.

The bill also exempts the incentives from two regulatory review requirements. Current law requires the secretary to advise the State Bond Commission about whether state-funded development projects conform to the State Plan of Conservation and Development. The bill exempts him from doing this when making zone adoption and building permit grants and housing education cost reimbursements. The bill also exempts the secretary from preparing a capital development impact statement when paying these grants and reimbursements.

FUNDING PLAN

§ 14 — Housing for Economic Growth Fund

The bill funds the incentives with General Fund appropriations and bond proceeds. It establishes a separate nonlapsing fund in the General Fund to hold this money and allows the treasurer to organize it into accounts and subaccounts. This fund, the Housing for Economic Growth Fund, must contain:

1. any money the state appropriates for the zone adoption and building permit grants and the housing education cost reimbursements,

2. repayments on housing infrastructure loans,
3. money the towns must repay to the state if they fail to comply with the bill’s requirements,
4. the proceeds from the CHEFA bonds minus the cost of issuing these bonds, and
5. any investment income the fund earns.

The bill specifies how the treasurer may invest the fund’s assets before they are needed to fund the incentives. She may invest the assets in securities and investments of commercial banks or trust companies, participation certificates in the Short Term Investment Fund, and participation units in combined investment funds. She must credit the proceeds from these investments to the fund.

§§ 12, 15, & 24 — Funding Sources and Allocations

The bill funds the incentives with a combination of FY 07 surplus funds, CHEFA bonds, and General Fund appropriations in FYs 08 to 37. It appropriates \$60 million in FY 07 surplus funds. It authorizes up to \$2.7 billion in CHEFA bonds in two series: up to \$355 million until FY 23 and up to \$2.330 billion until FY 52. Lastly, it appropriates about \$68 million over 29 years. Table 1 shows how the bill apportions these funds among the incentives.

Table 1: Funding Plan

<i>Incentive</i>	<i>\$60 million Appropriation from FY 07 Surplus (§§ 15(a) and (b) and 24)</i>	<i>CHEFA Bonds (§§ 12(a) and 15(c))</i>	<i>FY 08-37 Appropriations (§ 15 (a))</i>
Annual Administrative Costs	Eligible use	Not Eligible	<ul style="list-style-type: none"> • \$3 million/year in FYs 08-17 • \$1.5 million/year FYs 18-22 • \$750,000/year FYs 23-37 (Administrative costs include OPM’s cost of administering grants and CHEFA cost of issuing bonds)
Planning Grants	Eligible use	Not Eligible	
Technical Assistance Grants	Eligible use	Not Eligible	

Zone Adoption Grants Building Permit Grants	Unspecified portion of the \$60 million can be used for the zone adoption and building permit grants only in FYs 08, 09, and 10	CHEFA can issue up to \$355 million in bonds from FY 08-FY 23 to fund the zoning adopting and building permit grants	\$10 million/year for FYs 08-10
Infrastructure Loans	Unspecified portion of \$60 million FY 07 surplus can be used for infrastructure loans From FYs 08-22, up to \$6 million per year from fund balances, investment earnings, and infrastructure loan repayments can be used to make infrastructure loans	Not Eligible	Not Eligible
Rental Subsidies Education Cost Reimbursements	Not Eligible	CHEFA can issue up to \$2.330 billion until FY 52 to fund the rental subsidies and housing education cost reimbursements	

The \$60 million FY 07 appropriation is from the General Fund surplus that the comptroller certifies on or before September 15, 2007. These funds, together with the interest they earn and the infrastructure loan repayments, must be used for the purposes specified in Table 1.

§§ 13 and 12 — Bond Issuance

The bill authorizes CHEFA to issue approximately \$2.7 billion in bonds over 45 years and backs them with state assistance payments. CHEFA must deposit the proceeds in the Housing for Economic Growth Fund and use the state assistance payments to (1) cover its costs of issuing the bonds and (2) repay the bond holders. The bill implicitly authorizes the state to contract with the bond holders under which (1) the state must appropriate the amounts needed to pay the bond holders on time and (2) the treasurer must pay these amounts.

Consequently, the bonds constitute a special obligation of the authority and cannot be repaid from any of its funds. Neither CHEFA nor the state is liable for repaying the bonds except from state assistance payments. The bonds do not count toward the state’s

bonding cap.

CHEFA may pledge the assistance as security for these bonds or any bonds it issues to repay them (i.e., refunding bonds). The bill also pledges to the bond holders that the state will not revoke, amend, or alter CHEFA's rights or its contract with CHEFA until all the bonds are paid and obligations met. CHEFA can include this pledge in its contracts with the bondholder.

CHEFA can issue bonds only with the treasurer and the OPM secretary's approval. The secretary's approval for issuing bonds in the first series depends on towns establishing zones and issuing permits for IHDs. His approval for issuing bonds in the second tranche depends on IHD developers applying for rent subsidies and school children residing in IHDs.

CHEFA can secure the bonds by entering into a trust agreement with a bank or trust company. But the bill seems to contain contrary provisions about its ability to do so when issuing bonds to a town or a developer in a private bond sale. On the one hand, it prohibits CHEFA from acting as trustee in this situation. But it also specifies that CHEFA, as a trustee, has the right, power, and authority to enforce the state's obligations under the contract providing the assistance payments.

§ 12 — Private Sales to Towns and Developers

The bill allows CHEFA to issue the bonds in a private sale to towns and private developers in exchange for commitments to establish IHZs or develop the zones, respectively. CHEFA can accept these commitments in lieu of cash or other payments if the secretary certifies doing so meets the bill's requirements.

CHEFA can issue the bonds for the zone adopting and building permit grants if a town agrees to establish and develop an IHZ. It can also sell the bonds for the education cost reimbursements to the town in exchange for the construction of housing units within the zone to be occupied by "eligible students." CHEFA can do this, with the

secretary's approval, even if no children reside in the units when it issues the bonds.

CHEFA can issue the bonds for rental subsidies to a sponsor or, with the secretary's approval, the sponsor's assignee, if the sponsor or assignee agrees to construct housing in an IHZ and comply with its requirements.

CHEFA must issue the bonds as capital appreciation bonds. The interest on these types of bonds is compounded at a stated rate. They are also paid only when they mature or before they are redeemed. Before CHEFA can issue these bonds, it must specify the redemption terms, and the town or developer must agree to them. The bondholders can transfer the bonds only if CHEFA defaults on the principal and interest payments.

§ 13 — State Assistance Payments Constitute State's Full Faith and Credit Obligation

The bill requires the state to pay CHEFA the amounts needed to retire the bonds when they are due. The treasurer and the OPM secretary must contract with CHEFA to make these payments. Any contractual provision requiring these timely payments constitutes "a full faith and credit obligation of the state."

The treasurer and the OPM secretary must execute the contract if the State Bond Commission authorizes them to do so. The contract must include any provisions the treasurer and the secretary think are needed to achieve the bill's goals. It must also allow direct payments to the bonds' trustee or paying agent. The treasurer and the secretary can amend the contract to have the state pay CHEFA for the cost of issuing refunding bonds.

OVERSIGHT

§ 10 — Annual Report

The secretary must administer, review, and report on the incentive housing zone program. These duties include reporting annually to the legislature on its accomplishments. The first report is due January 1,

2009. Each report must cover the prior fiscal year and:

1. identify and describe the towns that submitted IHZs to the commissioner for approval;
2. identify the zones he approved and the schedule for paying the incentives associated with these zones;
3. summarize the amount of land zoned for different types of developments in the proposed and approved zones;
4. summarize the number and type of proposed residential units in the zones, the number of building permits issued for these units, and the number and type of completed units;
5. indicate the type and amount of incentive payments made to each town; and,
6. for the current and next fiscal years, estimate the number and size of proposed new zones, the number that may be approved during that period, the anticipated number of residential units allowed in these zones, and the projected number of units to be built during the period.

Towns must provide any data the secretary needs to prepare the report.

§ 11 — *Recapturing Incentive Payments*

The bill sets conditions under which the secretary can require a town to repay the grants and housing education cost reimbursements it received. He can do this if he finds that the town arbitrarily or unreasonably delayed IHDs; discouraged them; or imposed arbitrary or unreasonable standards, requirements, and barriers on proposed IHDs after he approved the zone. The secretary must adopt implementing regulations, which must include notice and hearing requirements.

§ 23 — HOUSING FINANCE TASK FORCE

Membership

The bill establishes a 14-member task force to study how to increase public and private financing for housing. The members include the economic and community development commissioner, the Connecticut Housing Finance Authority chairman, the treasurer, and the chairmen and ranking members of the Housing Committee or their respective designees. Table 2 shows the appointed members and the appointing authority.

Table 2: Task Force Members and Appointing Authority

<i>Member</i>	<i>Appointing Authority</i>
Affordable housing advocate	House speaker
Representative of a town with population over 100,000	Senate president pro tempore
For-profit housing developer	House majority leader
Nonprofit housing developer	Senate Majority Leader
Banking industry representative experienced in multifamily housing financing	House minority leader
Representative of a town with population under 100,000	Senate minority leader

The appointing authorities must make their appointments within 30 days after the bill's passage. They must fill any subsequent vacancies.

The Housing Committee chairpersons must chair the task force and schedule its first meeting, which must be held no later than 60 days after the provisions establishing the task force take effect.

Duties

The study must evaluate:

1. establishing uniform standards for financing multifamily housing,
2. expanding loan guarantees,
3. using mortgage insurance and Connecticut Housing Finance Authority credit enhancements to significantly expand public and private housing financing,

4. enhancing the existing affordable housing and historic preservation tax credits to promote housing renovation,
5. expanding the supply of project-based rental subsidies,
6. coordinating financing to increase the use of the 4% federal housing tax credit,
7. encouraging towns to use federal community development block grants to leverage additional financing for affordable housing, and
8. providing funds for including housing in intermodal transportation centers and transportation oriented designs.

The task force must submit its findings and recommendations to the Housing Committee by January 1, 2008. It terminates on that date or the date it submits its report, whichever is sooner.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute Change of Reference
Yea 18 Nay 0 (03/23/2007)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 49 Nay 4 (04/17/2007)