



Planning & Development Committee
Public Hearing – March 3, 2008

Testimony of Jeffrey Freiser
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Support:

S.B. 2 – AAC An Emergency Relief Plan for Connecticut Families for Housing Costs

Recommended Amendments:

- ▶ Eliminate the 40-year limit on tax abatement grants.
- ▶ Make PILOTs available to the new ownership entity after the revitalization of Moderate Rental housing.

The Connecticut Housing Coalition represents the broad, vibrant network of community-based affordable housing activity across the state. Our more than 250 member organizations include nonprofit developers, human service agencies, resident associations, and diverse other housing practitioners and advocates. Founded in 1981, the Coalition works to expand housing opportunity and to increase the quantity and quality of affordable housing in Connecticut.

Restore PILOTs and Tax Abatement Grants

In the current budget, the Governor and legislature eliminated \$3.9 million in Payments in Lieu of Taxes for state public housing and Tax Abatement Grants for nonprofit housing. As a result, two housing authorities (Seymour and Enfield) already have had to raise rents and many more will follow shortly – some with far larger increases.

Housing PILOTs is now an emergency. Just one example, from Seymour, as reported in the Waterbury Republican-American:

“Sitting in her small and quiet apartment on Chamberlain Road Monday, Blossom Murphy’s world was consumed by the sound of her oxygen tank and a looming sense of despair at the onset of 2008.

“On Jan. 1, her rent at the low-income housing apartment increased by \$65, money she doesn’t have and won’t be able to get. Murphy, 78, a terminally ill cancer patient, can barely afford the rent, electric, heating and grocery bills with her \$811 a month income.

“‘You know what that means?’ asked Murphy, who has lived in her apartment for 31 years. “‘Oil or rent. And you have to pay rent.’”

[more]

No other PILOT was eliminated – not for the Governor at her mansion, not for students in their dorm rooms, nor for horses in the UConn stables. We were told that other municipal aid increased generously. But only those communities that had done the right thing and hosted affordable housing were required to turn some back – precisely the wrong public policy message.

Eliminate the 40-year Limit on Tax Abatement Grants

C.G.S. Sec. 8-216(a) presently limits Tax Abatement Grants for any housing development to no more than 40 consecutive years. We strongly recommend elimination of this limit, so that rents may be maintained at the current affordable levels. Important lessons can be learned from the experience in many federal housing programs, where the expiration of 30 and 40 year assistance agreements (which seemed like a long time when the programs were enacted) have resulted in the widespread loss of affordable housing. We should avoid this mistake and maintain Tax Abatement Grants to preserve affordability beyond 40 years.

Make PILOTs Available After Revitalization

C.G.S. Sec. 8-216(b) presently limits PILOTs to Moderate Rental housing owned by public housing authorities or the Connecticut Housing Finance Authority or its subsidiaries. Several revitalization initiatives for Moderate Rental housing are moving forward – including Westbrook Village and Bowles Park in Hartford, Corbin Heights and Pinnacle Heights Extension in New Britain, and Vidal Court in Stamford – with many others anticipated. These revitalizations will rely on the federal Low Income Housing Tax Credit program as a significant source of equity financing, necessitating a change in ownership structure to a limited partnership. We want to be sure that revitalized public housing communities remain affordable at the income levels of current residents, so that they may be able to return to new homes. C.G.S. Sec. 8-216(b) should be amended to make PILOTs available to the new ownership entity after revitalization. (Proposed language is attached to this testimony.)

Do Not Take RAP Funds

We understand that a projected lapse in the Rental Assistance Program is being considered as a source of funding to restore PILOTs and Tax Abatement Grants. Please do not raid one program that meets the desperate housing needs of struggling families to rescue another. We should seek ways to accelerate spending for Rental Assistance this fiscal year and carry forward unspent funds to expand the program next year. Across the state budget, there are projected lapses totaling \$210 million. A different source should be found for PILOTs and Tax Abatement Grants, so that we do not reduce our total budgetary commitment to affordable housing.

Act Quickly

We urge members of this Committee to ask legislative leadership to emergency certify legislation to restore PILOTs and Tax Abatement Grants. Please act immediately to restore these funds, before more harm is done to some of our state's most vulnerable residents.

Proposed Amendment

S.B. 2 – AAC An Emergency Relief Plan for Connecticut Families for Housing Costs

After line 172, insert:

Section 8. (*Effective July 1, 2008*) Subsections (a) and (b) of section 8-216 of the general statutes are repealed and the following is substituted in lieu thereof:

(a) The state, acting by and in the discretion of the Commissioner of Economic and Community Development, may enter into a contract with a municipality for state financial assistance for housing, or any part thereof, solely for low or moderate-income persons or families, or for housing or any part thereof, on property classified by the municipality pursuant to section 8-215, for use for housing solely for low or moderate-income persons or families, in the form of reimbursement for tax abatements under said section, provided the construction or rehabilitation of such housing shall have been commenced after July 1, 1967, or, in the case of apartment buildings containing three or more stories, under construction on July 1, 1967. Such contract shall provide for state financial assistance in the form of a state grant-in-aid to the municipality not to exceed the amount of taxes abated by the municipality pursuant to section 8-215, provided no payment shall be made to any municipality under any contract entered into on or after October 1, 1973, unless the assessment on such housing or part thereof is determined as provided in section 8-216a except when such contract is a modification, amendment, or replacement of a contract already in existence on or before October 1, 1973. In such contract, the commissioner may require assurances that the amount of tax abatement will be used for the purposes stated in section 8-215, and that the commissioner shall have the right of inspection to determine that such purposes are being achieved. With respect to housing for which tax abatement has been provided pursuant to said section 8-215, such grant-in-aid shall be paid to the municipality each year, in an amount not to exceed the tax abatement for such year, as long as the housing continues to fulfill the purposes stated in said section[, but in no case shall payments of such state financial assistance continue for more than forty consecutive fiscal years of the municipality].

(b) The state, acting by and in the discretion of the Commissioner of Economic and Community Development, may enter into a contract with a municipality and the housing authority of the municipality or with the Connecticut Housing Finance Authority or any subsidiary created by the authority pursuant to section 8-242a or 8-244 or an eligible successor owner to make payments in lieu of taxes to the municipality on land and improvements owned or leased by the housing authority or the Connecticut Housing Finance Authority or an eligible successor owner under the provisions of part II of chapter 128. For the purposes of this subsection, an eligible successor owner means an entity that owns a housing project developed pursuant to part II of chapter 128 after the revitalization of such project subject to a plan approved by the Commissioner. On and after July 1, 1997, the time period of the contract may include the remaining years of operation of the project. Such payments shall be made annually in an amount equal to the taxes that would be paid on such property were the property not exempt from taxation, and shall be calculated by multiplying the assessed value of such property, which shall be determined by the tax assessor of such municipality in the manner used by such assessor

for assessing the value of other real property, by the applicable tax rate of the municipality. Such contract shall provide that, in consideration of such grant-in-aid, the municipality shall waive during the period of such contract any payments by the housing authority or the Connecticut Housing Finance Authority or an eligible successor owner to the municipality under the provisions of section 8-71, and shall further provide that the amount of the payments so waived shall be used by the housing authority or the Connecticut Housing Finance Authority or an eligible successor owner for a program of social and supplementary services to the occupants or shall be applied to the operating costs or reserves of the property, or shall be used to maintain or improve the physical quality of the property.

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