Statement of Vincent Tufo
Interim Executive Director of Charter Oak Communities

Ladies and gentlemen, my name is Jon Gottlieb, representing Vin Tufo, Interim Executive Director of Charter Oak Communities, formerly the Stamford Housing Authority. I am testifying to express our concern with the proposed elimination of the Payment in Lieu of Taxes (PILOT) program for public housing, and tax abatement payments for subsidized housing with non-profit sponsors, as contained in House Bill 6365, the Governor's budget. We support the restoration of funding for these important programs, as proposed in Senate Bill 868, An Act Concerning Payment in Lieu of Taxes for Public Housing and the Low and Moderate Income Tax Abatement Program.

The elimination of the State's PILOT commitment would shift the burden of payment for municipal services onto our low and moderate income residents - struggling households that rely on the restricted rent of State public housing to make ends meet. These households are typically hard working members of our communities' services sector – the backbone of our local economies. By assuming this obligation, residents will experience a sharp increase in the amount of rent they pay. A radical increase in the cost of a basic necessity such as housing would create an enormous hardship for our neediest working families. Many will be unable to pay the increased amount, leading to increased rates of eviction and an increase in homelessness.

Most low-income housing programs receive an operating subsidy to make up the difference between the residents' ability to pay and the real cost of operating the complex. The amount considered affordable for residents is approximately 30% of income, with the balance provided through external subsidy. This is the case in the Federal low income housing program, the Federal Section 8 program and the State RAP program. No similar operating subsidy is available under the State public housing and moderate rent programs. Instead, a minimum rent is approved by the State for each property, to ensure that resident rental payments yield sufficient funds to operate the development. Unlike the other programs described above, residents of State assisted housing pay either 30% of their income, or the approved minimum rent, whichever is greater.

The PILOT program has been the only means available to somewhat reduce the operating cost burden carried by residents of State assisted housing. Elimination of PILOT will cause the minimum rent charged at most affected developments to be increased, reducing their affordability. Increasing minimum rents means the lowest income current residents will be displaced, possibly becoming homeless, and future residents will be higher income households capable of paying the higher minimum rent.

State assisted housing developments have operated for years on very tight budgets. Rents are established and approved annually by the State, with no ability to create an internal subsidy that could offset the loss of PILOT funding. While properties are permitted to accumulate modest reserves, the use of these funds is restricted to routine maintenance activities. Many developments in the State assisted housing portfolio have significant deferred maintenance needs due to the State's historic unwillingness to invest in these properties. Increased rates of delinquency in rent payment and loss of revenue during the typical prolonged eviction process are likely to further reduce sponsor's ability to maintain properties adequately. Over time, the physical deterioration of State assisted housing may contribute to the decline of the neighborhoods in which the developments are located, whereas a well maintained and successful development is a stabilizing element, often leading to increased private investment in the community.

Many of the components of the Governor's proposed budget would reduce net expenditures, but the elimination of the PILOT program would not. Payments to municipalities in lieu of taxes would still be due, but the full burden of these payments would be shifted from all State taxpayers to those low-income households living in developments that previously received PILOT reimbursement.

On behalf of Charter Oak Communities and other public and non-profit sponsors of State assisted housing, I urge you to restore funding for the PILOT program and to make this important resource a permanent and reliable component of the State budget, so low-income residents and our vital housing infrastructure are not harmed. Thank you very much.

Jonathan Gottlieb, on behalf of
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