

Legal Assistance Resource Center

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Testimony of Raphael L. Podolsky

Urban Revitalization bills

Housing Committee public hearing -- March 1, 2011

These three bills are all intended to promote urban revitalization by encouraging owner-occupancy of small (two- to four-family) rental properties.

H.B. 6467 -- HERO program expansion

**SUPPORT with technical
modifications**

CHFA's HERO program (Homeowners' Equity Recovery Opportunity Loan Program) includes a component that allows an applicant to obtain a mortgage to finance not only the purchase price but also the rehabilitation cost of a one- to four-family building that has been foreclosed or abandoned. Because the person doing so must become an owner-occupant of the building, it promotes returning such a building to occupancy. But imposing an owner-occupancy requirement on the person doing the rehab limits the usability of the program. It has become evident that HERO could have a wider reach without losing its owner-occupancy focus if it had a "turnkey" aspect, i.e., if a contractor could purchase a foreclosed, vacant, or blighted building, rehabilitate it, and sell it to a person who would become an owner-occupant. This would also have the collateral effect of expanding employment opportunities for small-scale contractors. H.B. 6467 attempts to do this by expanding this component of the HERO program to include vacant and blighted properties and to allow purchaser/rehabbers to participate as long as the end result of rehab is the sale to an owner-occupant.

We support the underlying concept of the bill, but there is need, however, for some tightening of the language. In particular, (1) the bill should require that the ultimate purchaser be an owner-occupant (not merely that the rehabber have the "intention" to sell to an owner-occupant) and (2) it should be clear and explicit that CHFA may establish rules concerning prices and conditions so as to prevent "flipping" by persons not doing true rehabilitation.

H.B. 6051 -- New owner landlord training program (Urban Homesteading Pilot Program)

SUPPORT

This bill is similar to one proposed last year to generate, through CHFA, a program that would assist first-time owner-occupants of small rental properties to learn to handle the responsibilities of being a landlord, including providing help and guidance after purchase when problems arose. The concept is one of "wrap-around" services that continue after purchase of the property and after an class has ended. The bill was withdrawn last year after CHFA developed a program of its own to provide similar landlord training. H.B. 6051 brings back the full proposal from last year in order to assure that some of the key elements of the 2010 proposal are incorporated into what is now an existing CHFA program. These

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include: (a) greater clarity that the program is not merely a training "class" but that the agencies with which CHFA contracts must make active efforts to see that participants adequately promote and provide post-purchase wrap-around services; (b) that community stakeholders, including property owner groups, real estate agents, municipal agencies, and others be actively involved in the recruitment of landlord participants, and (c) that a portion of the program include an effort to impact one or more specific small neighborhoods by aggressive recruitment of participants in targeted areas, and especially in areas hard-hit by foreclosure.

H.B. 6462 -- Owner-occupied rental housing repair program

SUBSTITUTE BILL

This bill, titled "An Act Concerning DECD," calls for a study of DECD programs. In reality, it is the Housing Committee's vehicle for addressing any issues about DECD programs not covered by other bills. We urge the Committee to incorporate into this bill (or into H.B. 6466, H.B. 6467, or H.B. 6462) a change in DECD's Rental Housing Revolving Loan Fund program (Gen. Stats. 8-37vv) so as to create a priority within the program for owner-occupants of two- to four-family buildings. The Rental Revolving Loan Fund is intended to make loans to landlords of relatively small buildings (no more than 20 units) to help them bring those buildings into code compliance or otherwise make them rentable to tenants. A priority for owner-occupied two- to four-family buildings would help target the program to an area of particular need in center cities. The following language should be added to Section 8-37vv(c):

The Commissioner shall establish a priority within the Fund for owner-occupants of buildings containing at least two but no more than four residential units, including the unit occupied by the owner. Low interest loans made within such priority category may, if so determined by the Commissioner, include no-interest loans, deferred payment loans payable at the time that the property is sold or otherwise transferred, and forgivable loans for which the principal balance is reduced based upon the length of time that the owner continues to occupy the property.