



House of Representatives

General Assembly

File No. 175

February Session, 2012

Substitute House Bill No. 5224

House of Representatives, March 29, 2012

The Committee on Housing reported through REP. BUTLER of the 72nd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ESTABLISHING AN URBAN REVITALIZATION PILOT PROGRAM.

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

1 Section 1. (NEW) (*Effective from passage*) (a) The Commissioner of
2 Economic and Community Development, in consultation with the
3 Connecticut Housing Finance Authority, shall establish an urban
4 revitalization pilot program to foster the revitalization and
5 stabilization of urban neighborhoods by facilitating the acquisition and
6 renovation of one to four-family homes and prioritizing owner-
7 occupancy of such homes. Such program shall be implemented in not
8 less than five distressed municipalities, as defined in section 32-9p of
9 the general statutes. The commissioner may contract with a state-wide
10 nonprofit organization to administer the program.

11 (b) The goal of the program shall be to increase homeownership in
12 targeted neighborhoods containing high proportions of one to four-
13 family homes, giving priority to promoting owner-occupancy in
14 buildings that are for sale, vacant, deteriorated, in foreclosure, bank-

15 owned or investor-owned. The program administrator shall target
16 neighborhoods in which concentrated resources can have a substantial
17 impact on revitalizing and stabilizing the surrounding community.
18 The program administrator shall recruit community stakeholders to
19 provide active support for the program, including local banks, local
20 boards of realtors, neighborhood revitalization zone committees,
21 community-based organizations, community development financial
22 institutions and similar entities. The program administrator shall, as
23 necessary to accomplish program goals:

24 (1) Draw on diverse public and private funding sources and
25 programs, including foundations, local loan funds and programs
26 administered by departments or agencies other than the Department of
27 Economic and Community Development, including the Connecticut
28 Housing Finance Authority, the Clean Energy Finance and Investment
29 Authority and the Energy Efficiency Fund, and use public funds to
30 leverage private resources;

31 (2) Provide financing or investment to support property purchase,
32 rehabilitation, construction, demolition, energy efficiency and aesthetic
33 improvements, including provision of financial products that promote
34 homeownership, such as down payment assistance, and identify other
35 financial resources to support such activities;

36 (3) Offer incentives to investors to develop tenants into owners,
37 apply income restrictions to housing units in order to ensure
38 affordability, and conduct energy efficiency improvements in order to
39 meet weatherization goals;

40 (4) Identify and coordinate access for program participants to rental
41 assistance and foreclosure prevention resources and to other resources
42 that will increase homeownership, stabilize or decrease occupancy
43 costs and stabilize neighborhoods;

44 (5) Provide assistance to individuals who are or who will become
45 homeowners and to nonprofit and for-profit entities that will purchase
46 and rehabilitate properties to sell to individuals who will become

47 homeowners;

48 (6) Provide support services for program participants who are or
49 who will become homeowners so as to maximize the likelihood of their
50 success in maintaining homeownership on a long-term basis, including
51 training in skills necessary to be an effective landlord and assistance in
52 resolving problems that may arise after closing on a home;

53 (7) Identify and structure incentives to encourage participation in
54 the program by lenders, investors and developers with a goal of
55 promoting homeownership; and

56 (8) Assist program participants in locating purchase financing and
57 counseling before and after any purchase and direct such participants
58 to programs that provide deferred, low or no interest or forgivable
59 loans, including the Rental Housing Revolving Loan Fund established
60 pursuant to section 8-37vv of the general statutes.

61 (c) Any person who receives assistance through the program
62 established by this section to purchase a home shall agree (1) to occupy
63 such home or a unit in such home as such person's primary residence
64 for not less than five years, or (2) to transfer such home to a person
65 who will agree to occupy such home or a unit in such home as such
66 person's primary residence for not less than five years. Priority for
67 participation in the program may be given to persons who will become
68 first-time homebuyers and to persons who are living in a
69 neighborhood targeted by the program.

70 (d) The Commissioner of Economic and Community Development,
71 in consultation with the Connecticut Housing Finance Authority, shall
72 establish the parameters of the program not later than October 1, 2012,
73 and shall designate not less than five municipalities to participate in
74 the program not later than January 1, 2013. The commissioner, in
75 accordance with section 11-4a of the general statutes, shall submit the
76 following to the joint standing committee of the General Assembly
77 having cognizance of matters relating to housing: (1) A status report
78 on the program not later than February 1, 2013; (2) an interim report on

79 the program not later than January 1, 2014; and (3) a final report on the
80 program not later than January 1, 2015.

81 Sec. 2. Section 28 of public act 11-57 is amended to read as follows
82 (*Effective July 1, 2012*):

83 The proceeds of the sale of said bonds shall be used by the
84 Department of Economic and Community Development for the
85 purposes hereinafter stated: Housing development and rehabilitation,
86 including moderate cost housing, moderate rental, congregate and
87 elderly housing, urban homesteading, community housing
88 development corporations, housing purchase and rehabilitation,
89 housing for the homeless, housing for low income persons, limited
90 equity cooperatives and mutual housing projects, abatement of
91 hazardous material including asbestos and lead-based paint in
92 residential structures, emergency repair assistance for senior citizens,
93 housing land bank and land trust, housing and community
94 development, predevelopment grants and loans, reimbursement for
95 state and federal surplus property, private rental investment mortgage
96 and equity program, housing infrastructure, demolition, renovation or
97 redevelopment of vacant buildings or related infrastructure, septic
98 system repair loan program, acquisition and related rehabilitation
99 including loan guarantees for private developers of rental housing for
100 the elderly, projects under the program established in section 8-37pp of
101 the general statutes, and participation in federal programs, including
102 administrative expenses associated with those programs eligible under
103 the general statutes, not exceeding [~~\$25,000,000~~] \$87,500,000, provided
104 not more than \$12,500,000 shall be used for development of congregate
105 housing, not more than \$1,000,000 shall be used for grants-in-aid for
106 accessibility modifications for persons transitioning from institutions
107 to homes under the Money Follows the Person program established
108 pursuant to section 17b-369 of the general statutes, not more than
109 \$30,000,000 shall be used for revitalization of state moderate rental
110 housing units in the Connecticut Housing Finance Authority's State
111 Housing Portfolio, and not more than \$5,000,000 shall be used for the
112 urban revitalization pilot program established pursuant to section 1 of

113 this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>July 1, 2012</i>	PA 11-57, Sec. 28

Statement of Legislative Commissioners:

Technical changes were made for consistency and accuracy.

HSG *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 13 \$	FY 14 \$
Treasurer, Debt Serv.	GF - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill authorizes \$62.5 million in new General Obligation bonds for housing development and rehabilitation.

In addition, the bill requires the Department of Economic and Community Development (DECD) to establish an urban revitalization pilot program with \$5.0 million of the proposed bond funds set aside for the administration of the pilot program.

Bond Authorizations

The bill authorizes \$62.5 million in General Obligation (GO) bonds for housing development and rehabilitation. The total General Fund debt service cost for principal and interest payments to bond this amount over 20 years at a 5.0% interest rate is \$95.3 million (comprised of \$32.8 million in interest and \$62.5 million in principal). The first year that the state will experience debt service costs associated with the bonds depends on when they are allocated through the State Bond Commission and when the funds are expended.

Urban Revitalization Pilot Program

The bill permits DECD to contract with a non-profit organization to administer the pilot program. While it is expected that the agency

will contract with a non-profit to administer the program, it should be noted that the bill does not preclude DECD from running the program itself. At least one to three staffers at a cost of approximately \$250,000 annually would be required to administer the program's goals. The program will incur additional costs related to providing assistance and supportive services to the program's participants. The annual cost for assistance and supportive services is dependent upon the number of participants and the administration of the program.

It is anticipated that DECD will utilize the full \$5.0 million in proposed FY 13 bond funds to support the program. However, it is uncertain how much of the funding DECD will expend each fiscal year.

The bill also permits the program's administrator to draw upon public funding sources including quasi-public agencies like the Connecticut Housing Finance Authority, private funding sources. Any additional revenue generated through this provision would supplement the \$5.0 million in bond funds proposed in the bill.

The Out Years

The General Fund fiscal impact identified above would continue into the future for the term of issuance of the bonds.

It is anticipated that costs to the Urban Revitalization Pilot Program identified above would continue into the future subject to inflation. Funding for the program is dependent upon the amount of the proposed \$5.0 million in bonding that DECD chooses to expend each fiscal year.

OLR Bill Analysis**sHB 5224*****AN ACT ESTABLISHING AN URBAN REVITALIZATION PILOT PROGRAM.*****SUMMARY:**

This bill requires the Department of Economic and Community Development (DECD) commissioner, in consultation with the Connecticut Housing Finance Authority (CHFA), to establish a pilot program in at least five distressed municipalities to foster revitalization and stabilization in urban neighborhoods by facilitating the acquisition and renovation of one- to four-family homes and prioritizing owner-occupancy.

To pay for the pilot program, the bill (1) increases the maximum FY 13 general obligation (GO) bond authorization to DECD for certain housing programs by \$62.5 million from \$25 million to \$87.5 million and (2) for FY 13, reserves a total of \$5 million of the authorized funds for the pilot program. It also reserves \$12.5 million for congregate housing development, \$1 million for certain grants-in-aid under the Money Follows the Person program, and \$30 million to revitalize moderate-income rental housing that CHFA maintains in its portfolio.

DECD must report to the Housing Committee by (1) February 1, 2013 on the program's status; (2) January 1, 2014 with an interim report; and (3) January 1, 2015 with a final report.

EFFECTIVE DATE: Upon passage, except the bonding provision is effective July 1, 2012

PROGRAM PARAMETERS AND ADMINISTRATION

DECD, in consultation with CHFA, must (1) establish program parameters by October 1, 2012 and (2) by January 1, 2013, designate at

least five municipalities that will participate.

A person who receives program assistance must agree to (1) occupy the home, or a unit in it, as his or her primary residence for at least five years or (2) transfer the home to a person who agrees to do so. The bill authorizes the program to give priority to first-time home buyers and people living in a targeted neighborhood.

The bill authorizes DECD to contract with a statewide nonprofit organization to administer the program and establishes requirements for the program administrator. The bill does not specify who administers the program if DECD does not contract with a nonprofit organization for this purpose.

The bill requires the program administrator to:

1. target neighborhoods where concentrated resources can have a substantial impact on revitalizing and stabilizing the surrounding community and
2. recruit community stakeholders to provide active support for the program, including local banks, local boards of realtors, neighborhood revitalization zone committees, community-based organizations, community development financial institutions, and similar entities.

PROGRAM GOALS AND PROMOTING PARTICIPATION

The program's goal is to increase homeownership in targeted neighborhoods with high proportions of one- to four-family properties. It must promote owner-occupancy in buildings that are for sale, vacant, deteriorated, in foreclosure, or bank- or investor-owned. To accomplish this goal, the bill requires the program coordinator to, as necessary:

1. draw on diverse public and private funding sources and programs, including foundations, local loan funds, and programs that agencies other than DECD administer, including

CHFA, the Clean Energy Finance and Investment Authority, and the Energy and Efficiency Fund;

2. use public funds to leverage private resources;
3. provide financing or investment to support property purchase, rehabilitation, construction, demolition, energy efficiency, and aesthetic improvements, including financial products that promote homeownership (e.g., down payment assistance), and identify other financial resources to support such activities;
4. offer incentives to investors to develop tenants into owners, apply income restrictions to housing units to ensure affordability, and conduct energy efficiency improvements to meet weatherization goals;
5. identify and coordinate access for program participants to (a) rental assistance and foreclosure prevention resources and (b) other resources that will increase homeownership, stabilize or decrease occupancy costs, and stabilize neighborhoods;
6. provide assistance to (a) individuals who are or will become homeowners and (b) nonprofit and for-profit entities that will purchase and rehabilitate properties to sell to individuals who will become homeowners;
7. provide support services to program participants who are or will become homeowners to maximize the likelihood of their success in maintaining long-term homeownership, including (a) training in skills necessary to be an effective landlord and (b) assistance in resolving problems that may arise after closing on a home;
8. identify and structure incentives to encourage program participation by lenders, investors, and developers with a goal of promoting homeownership; and
9. assist program participants in locating purchase financing and counseling before and after any purchase and direct them to

programs that provide deferred, low, or no-interest or forgivable loans, including the state Rental Housing Revolving Loan Fund.

BACKGROUND

Related Bill

SB 25 (§ 32) makes the same FY 13 GO bond authorization increase and reserves the same amounts for the same purposes, other than the urban revitalization pilot program.

COMMITTEE ACTION

Housing Committee

Joint Favorable Substitute

Yea 11 Nay 0 (03/16/2012)