



House of Representatives

File No. 647

General Assembly

February Session, 2012

(Reprint of File Nos. 175 and 591)

Substitute House Bill No. 5224
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 5, 2012

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 shall, within existing
3 resources of the department, establish an urban revitalization pilot
4 program to foster the revitalization and stabilization of urban
5 neighborhoods by facilitating the acquisition and renovation of one to
6 four-family homes and prioritizing owner-occupancy of such homes.
7 Such program shall be implemented in one or more distressed
8 municipalities, as defined in section 32-9p of the general statutes. The
9 commissioner may contract with one or more state-wide nonprofit
10 organizations 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, and use public funds to leverage private
29 resources;

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

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

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

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

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

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

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

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

69 (d) The Commissioner of Economic and Community Development,
70 shall establish the parameters of the program not later than October 1,
71 2012, and shall designate one or more municipalities to participate in
72 the program not later than January 1, 2013. The commissioner, in
73 accordance with section 11-4a of the general statutes, shall submit the
74 following to the joint standing committee of the General Assembly
75 having cognizance of matters relating to housing: (1) A status report
76 on the program not later than February 1, 2013; (2) an interim report on
77 the program not later than January 1, 2014; and (3) a final report on the
78 program not later than January 1, 2015.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section

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 \$
Department of Economic & Community Development	GOBonds - Cost	See Below	See Below

Note: GOBonds=General Obligation Bonds

Municipal Impact: None

Explanation

The bill results in a cost to the Department of Economic and Community Development (DECD) by requiring DECD to establish an Urban Revitalization Pilot Program. It is anticipated that DECD will implement the program through a third party administrator, financed with existing bond authorizations. The cost, which will be determined upon the applications submitted for consideration to be a third party administrator of the program, is anticipated to be less than \$5.0 million for the duration of the program.

It is anticipated that DECD will fund the program through existing bond authorizations to DECD's housing programs that fit the scope of the Pilot Program. The following schedule shows the current bond funds available.

Bond Funds Available to DECD for Housing (\$-millions)		
DECD Housing Program	FY 12 As of April 20, 2012	FY 13 New Authorization
Flexible Housing Program	4.6	25.0
Housing Trust Fund	55.0*	25.0
Supportive Housing	30.0	0

* Item #25 of the April 27, 2012 State Bond Commission agenda allocates \$15 million of this total.

House "A" modifies the number of distressed municipalities in which the pilot program must be implemented from not less than five to one or more. There may be a potential savings to the Department of Economic and Community Development (DECD), if the number of municipalities chosen is less than five and DECD chooses to fund the program at a lower rate to reflect the lower number of municipalities. However, if DECD chooses less than five municipalities and does not decrease the level of funding (and thereby provides a higher level of funding to a smaller number of municipalities), there would be no fiscal impact.

House "A" also eliminates the Clean Energy Finance and Investment Authority (CEFIA) and the Connecticut Energy Efficiency Fund (CEEF) as potential sources of funding for the program. This may result in potential savings to operating budget of CEFIA, a quasi-public state agency. This may also result in potential savings to the CEEF, which is primarily supported through a surcharge on electric ratepayers.

The Out Years

Any future cost to the program would require fund allocations as approved by the State Bond Commission.

OLR Bill Analysis**sHB 5224 (as amended by House "A")******AN ACT ESTABLISHING AN URBAN REVITALIZATION PILOT PROGRAM.*****SUMMARY:**

This bill requires the Department of Economic and Community Development (DECD) commissioner, within existing DECD resources, to establish a pilot program in one or more 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.

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.

*House Amendment "A" (1) requires the program to be established within existing DECD resources; (2) eliminates the requirement that the DECD commissioner consult with the Connecticut Housing Finance Authority (CHFA) in establishing the program and designating participating municipalities; (3) requires the program to be implemented in at least one, rather than at least five, distressed municipalities; (4) removes references to the Clean Energy Finance and Investment Authority and the Energy Efficiency Fund as other programs the administrator can draw on for funding the pilot program; and (5) allows the DECD commissioner to contract with more than one nonprofit organization to administer the program.

EFFECTIVE DATE: Upon passage

PROGRAM PARAMETERS AND ADMINISTRATION

Under the bill, DECD must (1) by October 1, 2012, establish program parameters and (2) by January 1, 2013, designate at least one municipality 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 one or more statewide nonprofit organizations 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 administrator, as necessary, to:

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;
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

Legislative History

The House referred the bill (File 175) to the Finance, Revenue, and Bonding Committee, which eliminated funding provisions. Among other things, those provisions (1) increased the maximum FY 13 general obligation bond authorization to DECD for certain housing programs by \$62.5 million and (2) for FY 13, reserved a total of \$5 million of the bond proceeds for the pilot program.

COMMITTEE ACTION

Housing Committee

Joint Favorable Substitute
Yea 11 Nay 0 (03/16/2012)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 50 Nay 0 (04/16/2012)

Commerce Committee

Joint Favorable
Yea 17 Nay 0 (05/02/2012)