
OLR Bill Analysis**sHB 5106*****AN ACT CONCERNING THE PRIVATE RENTAL INVESTMENT MORTGAGE AND EQUITY PROGRAM*****SUMMARY:**

This bill makes programmatic and administrative changes to the Private Rental Investment Mortgage and Equity Program (PRIME), under which the Department of Economic and Community Development (DECD) commissioner can subsidize low-income units in multifamily housing projects financed by the quasi-public Connecticut Housing Finance Authority (CHFA).

The bill expands the range of non-housing uses eligible for PRIME subsidies, imposes a cap on the required share of low-income units, and requires the state to receive equity in each project. The bill allows the commissioner to provide the subsidies directly to the project instead of only through CHFA and changes the account for depositing PRIME funds.

EFFECTIVE DATE: July 1, 2012

MULTIFAMILY HOUSING IN MIXED USE DEVELOPMENTS

For multifamily housing projects that include non-housing uses, the bill expands the range of such uses that qualify for PRIME subsidies. The law allows the commissioner to subsidize the development of these uses if they are incidental to the project. The bill also allows her to subsidize those uses that are incidental to the surrounding neighborhood.

The bill expands the types of non-housing uses that qualify for PRIME subsidies. Under current law, the commissioner can subsidize commercial or office space and health, recreational, community, service, and administrative facilities, but not shops, stores, and other retail uses. The bill allows her to subsidize retail uses if, as with the

other types of eligible uses, they are incidental to the housing or the surrounding neighborhood.

LOW-INCOME UNIT REQUIREMENT

The bill places a cap on the number of low-income units in projects financed with CHFA first mortgage. Projects financed before October 1, 1995, or with bonds issued before July 1, 1995, can have no more than 40% of the units for low-income people. Those financed after October 1, 1995, or with bonds issued after July 1, 1995, at least 20% of the units must be for these people. The bill imposes the 40% cap on these later projects, thus requiring between 20% and 40% of their units to be for low-income people.

EQUITY REQUIREMENT

The bill requires the state to receive an equity interest in PRIME-subsidized projects in proportion to a project's share of low-income units. The commissioner must also approve the sale of the project, any interest in it, or units and the sales' terms and conditions. Under current law, these requirements apply only to projects that were funded before October 1, 1995, or with the proceeds of bonds issued before July 1, 1995.

ADMINISTERING THE SUBSIDIES

The bill gives the commissioner options for administering the subsidies. By law, she can provide (1) grants and deferred loans to new projects being developed with a CHFA first mortgage and (2) second mortgages to existing CHFA-financed projects. In both cases, current law allows her to do so only through CHFA. The bill also allows her to provide these subsidies directly to a project's developer or mortgagor.

With respect to second mortgages, the bill allows the commissioner or CHFA to set the interest rate. Under current law, only CHFA can set the rate.

PROGRAM ACCOUNT

The bill changes the account for depositing PRIME funds. Under current law, unused proceeds from the bonds and notes issued for the

projects and the service charges DECD collects from the projects must be deposited in a fund established exclusively for PRIME. The bill redirects these funds to the Housing Repayment and Revolving Loan Fund, which was established in 1990 to consolidate the repayments of several bond-funded revolving loan programs. It also requires funds for PRIME's grants, deferred loans, and second mortgages to be drawn from this account.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Change of Reference

Yea 16 Nay 0 (03/01/2012)

Housing Committee

Joint Favorable

Yea 11 Nay 0 (03/16/2012)