
OLR Bill Analysis

sHB 5106 (as amended by House "A")*

AN ACT CONCERNING THE PRIVATE RENTAL INVESTMENT MORTGAGE AND EQUITY PROGRAM

SUMMARY:

This bill (1) makes programmatic and administrative changes to the Private Rental Investment Mortgage and Equity Program (PRIME), (2) requires the Department of Economic and Community Development's (DECD) approval for dissolving municipal redevelopment agencies that planned and implemented state-assisted projects, and (3) limits the statutory conflict of interest prohibition that currently applies to all housing authority commissioners and employees to commissioners and executive and managerial employees.

Under the PRIME program, the DECD commissioner subsidizes multifamily housing projects financed by the quasi-public Connecticut Housing Finance Authority (CHFA). The projects must include units that are affordable to low-income people and may include offices, health care centers, and other specified types of non-housing uses. The bill expands the range of such uses to include stores, shops, and other retail uses incidental to the housing. It also caps the proportion of low-income units a project can have to qualify for PRIME subsidies.

The bill also (1) requires the state to receive equity in all PRIME-subsidized projects rather than allowing it to do so for some projects; (2) allows the commissioner to provide subsidies directly to a project's developer or mortgagor instead of only through CHFA; and (3) changes the account for depositing PRIME funds.

*House Amendment "A" (1) eliminates the change the underlying bill made allowing PRIME to subsidize non-housing uses incidental to a project's surrounding neighborhood and (2) adds the provisions regarding redevelopment agencies and housing authority executives

and managers.

EFFECTIVE DATE: July 1, 2012

PRIME

Eligible Non Housing Uses

By law, PRIME subsidizes CHFA-financed multifamily housing projects to make them more affordable to low-income people. It does this by subsidizing (1) the construction of new projects or the substantial rehabilitation of existing ones, (2) rents in new or existing projects, and (3) improvements to existing projects. The projects may include offices, health care centers, and other specified non housing uses.

The bill opens PRIME to projects with a broader range of non-housing uses. Under current law, PRIME can subsidize multifamily projects that include commercial, office, health, administrative, recreational, and community and service facilities incidental to the housing. Under the bill, PRIME can also subsidize projects that include shops, stores, and other retail uses incidental to the housing.

Low-Income Unit Requirement

The bill caps the number of low-income units a CHFA financed project can have to qualify for PRIME subsidies. Current law imposes a cap only on projects that were financed before October 1, 1995, or with bonds issued before July 1, 1995. They qualify for PRIME if no more than 40% of the units are rented to low-income people. Projects that were financed after October 1, 1995, or with bonds issued after July 1, 1995, are subject to a floor. They qualify for PRIME if at least 20% of the units are rented or will be rented to low-income people.

The bill extends the 40% cap to projects in this latter category. Consequently, they qualify for PRIME if at least 20% but not more than 40% of the units are rented or will be rented to low-income people.

Equity Requirement

The bill requires, rather than allows, the state to receive an equity

interest in PRIME-subsidized projects in proportion to a project's share of low-income units. Under current law, this option is available only for projects that were funded before October 1, 1995, or with the proceeds of bonds issued before July 1, 1995.

By law the commissioner must approve the sale of any PRIME-subsidized project, including the sales terms and conditions.

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 allows her to also 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.

DISSOLVING REDEVELOPMENT AGENCIES

The bill requires DECD's approval before dissolving a redevelopment agency that undertook a state-assisted project. Under current law, a municipality's legislative body can dissolve a redevelopment agency if doing so would make it easier to obtain and process federal funds and promote the statutory redevelopment goals.

After dissolving the agency, the municipality may designate an existing agency as the redevelopment agency or create a new one. If it chooses to do either, it must follow the statutory procedures for designating or creating such agencies.

Under the bill, the municipality cannot implement the legislative body's decision to dissolve the agency without first requesting DECD's approval. Upon receiving the request, DECD must notify the Commerce Committee, stating:

1. the nature and the amount of state assistance the agency received,
2. DECD's preliminary decision regarding the request, and
3. any conditions DECD would impose on the agency if it were to approve the request.

Within 30 days after receiving DECD's notification, the committee must decide whether it agrees with DECD's decision and so inform DECD. In doing so, committee must state the reasons for its decision. If the committee does not advise DECD within 30 days, DECD may act on its own and notify the legislative body about its final decision.

PUBLIC HOUSING AUTHORITY CONFLICT OF INTEREST

The bill excludes housing authority employees except executives and managers from the law's conflict of interest prohibitions. Current law prohibits all housing authority commissioners and employees from acquiring direct or indirect interest in any (1) housing authority construction or procurement contract or (2) proposed or existing housing authority project, including property that is part of the project.

Current law also requires commissioners and employees to immediately disclose in writing to the authority if they have an interest in a property that is part of an existing or proposed project. Those that fail to do so commit misconduct in office.

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)