



# House of Representatives

General Assembly

**File No. 206**

February Session, 2012

Substitute House Bill No. 5106

*House of Representatives, April 2, 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 CONCERNING THE PRIVATE RENTAL INVESTMENT MORTGAGE AND EQUITY PROGRAM.**

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

1 Section 1. Section 8-400 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2012*):

3 As used in sections 8-400 to 8-405, inclusive, as amended by this act:

4 (1) "Authority" means the Connecticut Housing Finance Authority  
5 as created under section 8-244;

6 (2) "Developer", "mortgagor" or "eligible mortgagor" means (A) a  
7 nonprofit corporation incorporated pursuant to chapter 602 or any  
8 predecessor statutes thereto, having as one of its purposes the  
9 construction, rehabilitation, ownership or operation of housing, and  
10 having articles of incorporation approved by the authority in  
11 accordance with the provisions of chapter 134; (B) any business  
12 corporation incorporated pursuant to chapter 601 or any predecessor

13 statutes thereto, having as one of its purposes the construction,  
14 rehabilitation, ownership or operation of housing, and having articles  
15 of incorporation approved by the authority in accordance with the  
16 provisions of said chapter 134; (C) any limited liability company,  
17 partnership, limited partnership, joint venture, sole proprietorship,  
18 trust or association having as one of its purposes the construction,  
19 rehabilitation, ownership or operation of housing, and having basic  
20 documents of organization approved by the authority in accordance  
21 with the provisions of said chapter 134; or (D) a family or persons  
22 approved by the authority as qualified to own, construct, rehabilitate,  
23 manage and maintain housing under a mortgage loan made or insured  
24 by the authority under the provisions of said chapter 134 and under an  
25 agreement entered into pursuant to the provisions of sections 8-400 to  
26 8-405, inclusive, as amended by this act;

27 (3) "Housing", "housing project", "development" or "project" means  
28 any undertaking having as its principal purpose the construction or  
29 substantial rehabilitation of safe and adequate housing and related  
30 facilities for low and moderate income families and persons, including  
31 housing that provides dwelling accommodations in addition to the  
32 primary purpose of providing dwelling accommodations for low and  
33 moderate income families and persons;

34 (4) "Related facilities" means retail, commercial, office, health,  
35 administrative, recreational, community and service facilities  
36 incidental to housing or the neighborhood in which the housing is  
37 located, as determined by the authority;

38 (5) "Rent" means the charges, excluding security deposits, paid to a  
39 landlord for occupancy of housing financed or assisted under sections  
40 8-400 to 8-405, inclusive, as amended by this act;

41 (6) "Project cost" means the total of all costs incurred in the  
42 development of a housing project and any related facilities, which are  
43 approved by the authority and the Commissioner of Economic and  
44 Community Development as reasonable and necessary, including, but  
45 not limited to (A) costs of land acquisition, including any buildings

46 located thereon; (B) costs of site preparation, demolition and  
47 development; (C) architectural, engineering, legal and other fees and  
48 charges incurred in connection with the planning, execution and  
49 financing of the project; (D) the cost of studies, surveys, plans and  
50 permits required in connection with the project; (E) insurance, interest,  
51 financing, tax and assessment costs and other operating costs incurred  
52 during construction; (F) the cost of construction or reconstruction,  
53 including the cost of fixtures and equipment related to such  
54 construction or reconstruction; (G) the cost of land improvements; (H)  
55 necessary expenses incurred in connection with the initial occupancy  
56 of the project; (I) a reasonable profit or fee to the builder and  
57 developer; (J) an allowance established by the authority for working  
58 capital, replacement and contingency reserves, and reserves for any  
59 anticipated operating deficits during the first two years of occupancy;  
60 (K) the cost of such other items, including tenant relocation, as the  
61 authority and the Commissioner of Economic and Community  
62 Development shall deem to be reasonable and necessary for the  
63 development of the project, less the amount of net rents and other net  
64 revenues received from the operation of any real and personal  
65 property located on the project site during construction;

66 (7) "Low income unit" means a unit of housing rented to a tenant  
67 whose income is below the aggregate family income standards  
68 established in sections 8-400 to 8-405, inclusive, as amended by this act;

69 (8) "Mortgage" means a mortgage deed or other instrument which  
70 shall constitute a lien, whether first or second, on real property or on a  
71 leasehold under a lease having a remaining term at the time such  
72 mortgage is acquired which does not expire for a number of years  
73 beyond the maturity date of the obligation secured by such mortgage  
74 that is equal to the number of years remaining until the maturity date  
75 of such obligation;

76 (9) "First mortgage" means such classes of first liens as are  
77 commonly given to secure loans on, or the unpaid purchase price of,  
78 real property under the laws of the state, together with appropriate

79 credit instruments;

80 (10) "Bonds" means any bonds, notes, interim certificates,  
81 debentures or other obligations issued by the state pursuant to sections  
82 8-400 to 8-405, inclusive, as amended by this act;

83 (11) "Aggregate family income" means the total family income of all  
84 members of a family, from whatever source derived, including but not  
85 limited to pensions, annuities, retirement benefits and social security  
86 benefits, provided the authority and the Commissioner of Economic  
87 and Community Development may exclude from such income, (A)  
88 reasonable allowances for dependents, (B) reasonable allowances for  
89 medical expenses, (C) all or any part of the earnings of gainfully  
90 employed minors or family members other than the chief wage earner,  
91 (D) income not regularly received and (E) such other expenses as the  
92 Commissioner of Economic and Community Development may allow;

93 (12) "Tenant" means the occupant of any housing unit financed or  
94 assisted under sections 8-400 to 8-405, inclusive, as amended by this  
95 act;

96 (13) "Second mortgage" means any class of second liens ranking  
97 immediately after a first mortgage or class of first liens on the same  
98 property, without any intervening liens, as are commonly given to  
99 secure loans on real property, or the unpaid purchase price of real  
100 property under the laws of the state, together with appropriate credit  
101 instruments to insure or guarantee repayment in the event of default  
102 by the mortgagor.

103 Sec. 2. Section 8-401 of the general statutes is repealed and the  
104 following is substituted in lieu thereof (*Effective July 1, 2012*):

105 Upon preliminary approval by the State Bond Commission  
106 pursuant to the provisions of section 3-20, the state, acting by and  
107 through the Commissioner of Economic and Community  
108 Development, may enter into a contract with a developer, the  
109 authority [to provide] or mortgagor of the authority for state financial

110 assistance in the form of grants-in-aid or deferred loans to housing  
111 projects financed by the authority through the means of a loan secured  
112 by a first mortgage. [; provided, any such financial assistance to be  
113 funded with proceeds of bonds authorized by public or special acts  
114 effective on or after July 1, 1995, shall be provided as set forth in this  
115 section. Commencing October 1, 1995, upon preliminary approval of  
116 the State Bond Commission pursuant to the provisions of section 3-20,  
117 the state, acting by and through the department may provide a grant-  
118 in-aid to the authority for purposes of permitting the authority to  
119 extend state financial assistance to a developer or mortgagor of the  
120 authority in the form of grants-in-aid or deferred loans to housing  
121 projects financed by the authority through means of a loan secured by  
122 a first mortgage.] Such grants or deferred loans made to a developer or  
123 mortgagor of the authority under this section shall be for construction  
124 or rehabilitation of developments containing rental units. The total  
125 amount of such grants or deferred loans awarded to a single project  
126 shall not exceed an amount equal to one-half of the cost of the project  
127 divided by the number of rental units in the project multiplied by the  
128 number of low-income units in the project. The total number of low-  
129 income units in any project receiving financial assistance under this  
130 section shall be not less than twenty per cent and [, for projects  
131 receiving assistance prior to October 1, 1995, and for projects receiving  
132 assistance from the proceeds of bonds authorized by public or special  
133 acts effective prior to July 1, 1995,] shall not be more than forty per cent  
134 of the total number of rental units in the project. No project receiving  
135 financial assistance under this section shall contain less than twenty-  
136 five rental units. Any grant or deferred loan awarded under this  
137 section shall be used to reduce the cost of the project. Loan repayments  
138 shall be paid to the State Treasurer and deposited in the General Fund.

139 Sec. 3. Section 8-402 of the general statutes is repealed and the  
140 following is substituted in lieu thereof (*Effective July 1, 2012*):

141 The state, acting by and through the [Department] Commissioner of  
142 Economic and Community Development, may enter into a contract  
143 with the authority, developer, or mortgagor of the authority and the

144 authority may enter into a contract with a developer or mortgagor of  
145 the authority to provide state financial assistance in the form of rental  
146 subsidy certificates for each low-income unit in the project. Any  
147 commitment to provide such subsidy shall be an obligation of the state  
148 or the authority, as the case may be, for a period of not less than fifteen  
149 years, and the amount of such subsidy shall be equal to the difference  
150 between the amount of rent plus an allowance for heat and utilities not  
151 included in the rent approved by the commissioner or the authority, as  
152 the case may be, and thirty per cent of the annual aggregate family  
153 income of the tenant residing in the low-income unit for each such unit  
154 on an annual basis. The rent charged for a low-income unit may not be  
155 increased without the approval of the commissioner or the authority,  
156 as the case may be. The annual aggregate family income of a tenant for  
157 the year prior to the occupancy of a low-income unit by the tenant  
158 shall not exceed fifty per cent of the area median income, adjusted for  
159 family size, as determined by the commissioner or the authority, as the  
160 case may be. If such annual aggregate family income after occupancy  
161 exceeds seventy per cent of the area median income, adjusted for  
162 family size, the unit occupied by the tenant will no longer be  
163 considered a low-income unit and the next available unit will be  
164 rented to a tenant with an aggregate family income of less than fifty  
165 per cent of the area median income, adjusted for family size. No tenant  
166 residing in a project will receive financial assistance through a rental  
167 subsidy certificate under this section if the aggregate family income of  
168 the tenant in the prior year exceeds sixty per cent of the area median  
169 income, adjusted for family size.

170 Sec. 4. Section 8-403 of the general statutes is repealed and the  
171 following is substituted in lieu thereof (*Effective July 1, 2012*):

172 Upon preliminary approval by the State Bond Commission  
173 pursuant to the provisions of section 3-20, the state, acting by and  
174 through the [Department] Commissioner of Economic and Community  
175 Development, may enter into a contract with a developer, the  
176 authority [to provide] or a mortgagor of the authority for state  
177 financial assistance [to a mortgagor of the authority] in the form of a

178 loan secured by a second mortgage for any housing project for which  
179 the authority has provided financial assistance in the form of a loan  
180 secured by a first mortgage. [; provided any such financial assistance  
181 to be funded with proceeds of bonds authorized by public or special  
182 acts effective on or after July 1, 1995, shall be provided as follows:  
183 Commencing October 1, 1995, upon preliminary approval of the State  
184 Bond Commission pursuant to the provisions of section 3-20, the state,  
185 acting by and through the Department of Economic and Community  
186 Development may provide a grant-in-aid to the authority, for purposes  
187 of permitting the authority to extend state financial assistance to the  
188 developer or mortgagor of the authority in the form of a loan secured  
189 by a second mortgage for any housing project for which the authority  
190 has provided financial assistance in the form of a loan secured by a  
191 first mortgage.] Such loan shall be made for the purpose of providing  
192 additional financing for the project. Any loan made under this section  
193 shall bear interest payable quarterly on the first days of January, April,  
194 July and October for the preceding calendar quarter, or at such other  
195 times as are determined by the commissioner or the authority, as the  
196 case may be, at a rate determined by the State Bond Commission under  
197 subsection (t) of section 3-20 and shall be repayable in such  
198 installments as may be determined by the commissioner or the  
199 authority, as the case may be, within fifty years from the date of  
200 completion of the project. Loan repayments shall be paid to the State  
201 Treasurer and deposited in the General Fund.

202 Sec. 5. Section 8-404 of the general statutes is repealed and the  
203 following is substituted in lieu thereof (*Effective July 1, 2012*):

204 Any contract for financial assistance awarded under sections 8-400  
205 to 8-405, inclusive, as amended by this act, [which is funded with  
206 proceeds of bonds of the state authorized by public or special acts  
207 effective prior to July 1, 1995, or which is funded prior to October 1,  
208 1995, shall, and any other contract may] shall contain the requirement  
209 that the state or the authority, as the case may be, shall receive, in  
210 exchange for any such assistance, a financial participation in the  
211 project. Such financial participation shall be in a proportion which

212 shall not be less than the proportion that the number of low-income  
213 units in the project bears to the total rental units in the project. Any  
214 sale of the project, any interest in the project or any of its units shall  
215 require the approval of the Commissioner of Economic and  
216 Community Development or the authority, as the case may be, and  
217 shall be made upon such terms and conditions as the commissioner or  
218 the authority, as the case may be, may approve.

219 Sec. 6. Section 8-405 of the general statutes is repealed and the  
220 following is substituted in lieu thereof (*Effective July 1, 2012*):

221 The proceeds from the sale of any bonds issued for the purposes of  
222 sections 8-401, as amended by this act, and 8-403, as amended by this  
223 act, issued pursuant to any authorization, allocation or approval of the  
224 State Bond Commission made [prior to July 1, 1990] after July 1, 2012,  
225 and of any notes issued in anticipation thereof as may be required for  
226 such purposes shall be applied to the payment of the principal of any  
227 such notes then outstanding and unpaid, and the remaining proceeds  
228 of any such sale shall be deposited in [a fund designated as the  
229 "Private Rental Investment Mortgage and Equity Fund" which fund  
230 shall be used to make loans or grants authorized by sections 8-401 and  
231 8-403] the Housing Repayment and Revolving Loan Fund established  
232 pursuant to section 8-37qq. Payments [from the Private Rental  
233 Investment Mortgage and Equity Fund] to the developer, [or] the  
234 authority or the mortgagor of the authority shall be made from said  
235 fund by the State Treasurer on certification of the Commissioner of  
236 Economic and Community Development in accordance with the  
237 contract for financial assistance between the state and the authority,  
238 [or] the developer or the mortgagor of the authority. All payments of  
239 state service charges for any housing project as authorized by the  
240 commissioner financed from the proceeds of the state's general  
241 obligation bonds issued pursuant to any authorization, allocation or  
242 approval of the State Bond Commission made [prior to July 1, 1990]  
243 after July 1, 2012, shall be paid to the State Treasurer for deposit in said  
244 fund. Subject to the approval of the Governor, any expense incurred by  
245 the state in connection with the carrying out of the provisions of this



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.

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

**Explanation**

The bill, which makes programmatic changes to the Private Rental Investment Mortgage and Equity (PRIME) program, has no fiscal impact.

The bill expands PRIME and allows the Department of Economic and Community Development (DECD) to directly provide financial assistance. There is no fiscal impact to DECD as the agency may currently provide financial assistance through the Connecticut Housing Finance Authority.

The bill also requires the proceeds of bonds issued for the PRIME program to go into the Housing Repayment and Revolving Loan Fund (HRRLF). This allows DECD to fund PRIME assistance through proceeds available in the HRRLF. Currently there is a zero balance in the PRIME Fund. The HRRLF currently has a balance of \$1.9 million but all the funds have been committed to projects and administrative expenses. There is no fiscal impact to DECD because the bill does not authorize additional bond funds to DECD to provide assistance through PRIME.

**The Out Years**

**State Impact:** None

**Municipal Impact:** None

**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)