

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 12-161—sHB 5106

Commerce Committee

Housing Committee

**AN ACT CONCERNING THE PRIVATE RENTAL INVESTMENT
MORTGAGE AND EQUITY PROGRAM**

SUMMARY: This act 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 subsidizes multifamily housing projects financed by the quasi-public Connecticut Housing Finance Authority (CHFA). The projects must include units that low-income people can afford and may include offices, health care centers, and other specified types of non-housing uses.

The act expands the range of such uses to include 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 act 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.

The act (1) requires DECD approval for dissolving municipal redevelopment agencies that planned and implemented state-assisted projects, and (2) limits the statutory conflict of interest prohibition that applied to all housing authority commissioners and employees to only commissioners and executive and managerial employees.

EFFECTIVE DATE: July 1, 2012, except the redevelopment agency and housing authority changes take effect upon passage

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 commercial, office, health, administrative, recreational, and community and service facilities incidental to the housing. The act opens PRIME to projects that include shops, stores, and other retail uses incidental to the housing.

Low-Income Unit Requirement

The act changes the proportion of low-income units projects may have to

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qualify for PRIME subsidies. Under prior law, the requirement varied depending on when a project was financed or when the bonds that financed it were issued.

For projects financed before October 1, 1995, or financed with bonds authorized before July 1, 1995, a project qualified for PRIME if the total number of low-income units did not exceed 40% of the total. For projects financed after October 1, 1995, or financed with bonds authorized after July 1, 1995, a project qualified for PRIME if the total number of low-income units was at least 20% of the total. The act combines these two parameters. Consequently, a project qualifies for PRIME if at least 20%, but not more than 40%, of the units are low-income.

Equity Requirement

The act requires, rather than allows, the state to receive an equity interest in all PRIME-subsidized projects in proportion to a project's share of low-income units. Prior law allowed the state to require an equity interest only in projects that were funded before October 1, 1995, or with the proceeds of bonds authorized before July 1, 1995. Under prior law and the act, the state realizes its equity interest when a project is sold. By law, the commissioner must approve the sale of any PRIME-subsidized project and the sales terms and conditions.

Administering the Subsidies

The act gives the commissioner more administrative options for providing grants or deferred loans and second mortgages to CHFA-financed projects. Under prior law, she could provide these subsidies only through CHFA. The act allows her to provide them through CHFA or directly to the project's developer or mortgagor. These options are already available to her for subsidizing rents in CHFA-financed projects.

Setting Interest Rates on Second Mortgages

The act allows the commissioner or CHFA to set the interest rate on second mortgages. Under prior law, only CHFA could set the rate.

Program Account

The act changes the account for depositing PRIME funds. Under prior law, unused proceeds from the bonds and notes authorized, allocated, or approved before July 1, 1990 and the service charges DECD collects from the projects subsidized with these bonds had to be deposited in a fund established exclusively for PRIME. The act 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 act requires DECD approval before dissolving a redevelopment agency

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that undertook a state-assisted project. Under prior law, a municipality's legislative body could dissolve a redevelopment agency if doing so would make it easier to obtain and process federal funds and promote the agency's statutory goals.

Under the act, the legislative body may still dissolve the agency for these reasons, but must first request DECD 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, the 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.

If DECD approves the agency's dissolution, the legislative body, as under prior law, 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.

PUBLIC HOUSING AUTHORITY CONFLICT OF INTEREST

The act excludes housing authority employees except executives and managers from the law's conflict of interest prohibitions. Prior law prohibited all housing authority 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 was part of the project. Under the act, this prohibition still applies to housing authority commissioners.

As under prior law, commissioners, executives, and managers must 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.

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