

Legal Assistance Resource Center

❖ of Connecticut, Inc. ❖

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Department of Housing BUDGET -- Public housing PILOT and low-income housing tax abatement programs

Appropriations Committee public hearing – February 20, 2013

Testimony of Raphael L. Podolsky

I urge you to retain funding for FY 2014 and FY 2015 for the Public Housing Payment in Lieu of Taxes (PILOT) Program (\$1,873,400) and the Low-Income Housing Tax Abatement Program (\$1,444,646). These programs, which have helped low-income tenants since 1967 by holding down subsidized rents, are critical to making state public housing and state-assisted non-profit housing developments affordable for their lowest income residents. The defunding of these programs proposed in the budget transfers their cost not to the towns but to the lowest income tenants in each development. For example, in the state family public housing program, if the funding loss is covered by raising base rents, we estimate that the average base rent increase will be at least \$70 per month, a huge and unaffordable increase for very low-income tenants whose rents are mostly in the \$200 to \$300 per month range.

(1) PILOT: State family public housing (known as Moderate Rental Housing) is not exempt from mandatory payments in lieu of local property taxes, based upon a percentage of the rents that the housing authority collects. There is no operating subsidy. By covering these mandated local taxes, the state PILOT program allows housing authorities to hold down base rents, which are the rents paid by the lowest income residents in each development. The loss of the state PILOT will force an increase in base rents -- at least an average of \$70 per month per apartment based on our preliminary calculations -- which will translate to monthly rent increases in that amount for those who can least afford it. Why for those who can least afford it? In state public housing, tenants pay the higher of a flat base rent or a rent based on a percentage of their income (usually 30% of income). The only tenants paying base rent are thus those with the least income -- those for whom base rent is more than 30% of income. These tenants will absorb the entirety of base rent increases. About half of tenants in Moderate Rental Housing are at base rent. If the local PILOT is not covered by the state PILOT program, it will become a housing authority expense to be paid by the poorest residents of state family public housing through higher base rents.

(2) Tax abatement: Similarly, the tenants of more than 6,000 units of elderly and family housing owned by non-profits are affected by the defunding of the Tax Abatement Program. In some cases, such as Tower One in New Haven, the defunding results not only in a loss of state assistance but also in the termination of a companion tax abatement agreement with the city that is conditioned on the state program, resulting in potential rent increases of more than \$150 per month per tenant. In the long run, the rent increases that will result from defunding will drive the lowest income residents -- the very ones for whom the housing is most needed -- out of these developments. We urge you to restore funding and prevent this result from occurring.

NECESSARY BASE RENT INCREASES IF PILOT FUNDS LOST

Town	Names of developments	Units at		PILOT	Current base rent	All units		Base rent only	
		Units	Base Rent			Average increase	% increase	Average increase	% increase
Bristol	Dutton Heights/Zbikowski Park	174	136	\$ 81,997	\$220-255	\$ 39	15-18%	\$ 50	20-23%
Danbury	Coal Pit/Fairfield Ridge/Mill Ridge	290	119	\$170,472	\$285-303	\$ 49	16-18%	\$119	39-42%
Darien	Allen O'Neill	53	N/A	\$ 74,941	\$270-305	\$118	39-44%	\$118*	39-44%*
East Hartford	King Court	80	30	\$ 48,602	\$200-230	\$ 51	22-26%	\$135	59-68%
Enfield	Laurel Park/Green Valley Village	174	107	\$132,987	\$190-215	\$ 64	30-34%	\$104	48-55%
Greenwich	Adams Garden/Armstrong McKinney Terrace	245	N/A	\$ 76,221	\$304-725	\$ 48	7-13%	\$ 25*	3- 8%*
Hartford	Bowles Park/Westbrook Village	770	154	\$255,602	\$250-293	\$ 28	10-11%	\$138	47-55%
Mansfield	Holinko Estates	35	22	\$ 13,731	\$370-470	\$ 47	10-13%	\$ 52	11-14%
Meriden	Johnson Farms/Yale	214	175	\$127,287	\$255-282	\$ 50	18-20%	\$ 61	22-24%
Middletown	Sunset Ridge/Rockwood Acres/ Santangelo Circle	198	76	\$125,434	\$215-231	\$ 53	23-25%	\$138	60-64%
Norwich	Melrose Park/Kennedy Heights Hillside Terrace/Sunset Park	286	179	\$139,597	\$295-325	\$ 41	13-14%	\$ 65	20-22%
Seymour	Smith Acres/Hoffman Heights/ Castle Heights	81	54	\$ 67,688	\$260-275	\$ 70	25-27%	\$104	38-40%
Sharon	Sharon Ridge	20	18	\$ 7,710	\$235-305	\$ 32	10-14%	\$ 36	12-15%
Stamford	Oak Park/Lawn Hill Terrace	590	N/A	\$372,683	\$375-430	\$ 53	12-14%	\$ 53*	12-14%*
Stratford	Meadowview Manor	100	65	\$ 54,079	\$366-560	\$ 45	8-12%	\$ 69	12-19%
Westport	Sasco Creek Village/Hales Court	75	N/A	\$ 22,615	\$145-185	\$ 25	14-17%	\$ 25*	14-17%*
Wethersfield	Highvue Terrace	28	16	\$ 16,188	\$268	\$ 48	18%	\$ 84	31%
Windham	Eastman Curran Terrace/Terry Court	146	92	\$ 61,628	\$185-240	\$ 35	15-19%	\$ 56	23-30%

* The number of base rent units was not available. The necessary and percentage increases assume that all units are at base rent. These numbers will be higher if any units are above base rent.

** The "All Units" column assumes that all units will receive the average rent increase. The "Base rent only" column assumes that the rent increase will be passed through by raising the base rent and that the number of tenants on base rent will not change.