



Department of Economic and
Community Development

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Catherine H. Smith, Commissioner
Department of Economic and Community Development

Good afternoon, Senator Bartolomeo, Representative Butler, and distinguished members of the Housing Committee:

I am the Commissioner of Economic and Community Development and I am here to express my support for Governor's Bill 6366, An Act Concerning the Establishment of the Department of Housing, and Governor's Bill 845, An Act Increasing Access to Affordable Housing. I would also like to explain our position with respect to HB 6421, An Act Concerning Public Housing Grievance Procedures.

Governor's Bill 6366

DECD is the State's lead agency responsible for strengthening Connecticut's competitive position in the new high-tech, knowledge-based global economy. The agency takes a comprehensive approach to economic development that incorporates housing and community development, as well as culture and tourism into our statewide economic development strategies. Prior to the establishment of the new Department of Housing, DECD has also served as the lead agency for affordable housing policy and programs. We strongly believe that the creation and preservation of affordable housing opportunities are inextricably linked with the State's economic and community development.

As documented in the report of the Interagency Council on Affordable Housing, the diverse affordable housing needs in Connecticut are not being met. We need more affordable housing in our suburbs, cities, and rural communities. We need affordable housing for the most vulnerable and poorest residents, the working poor, low- and moderate-income elderly individuals and couples, and households with incomes around the local area median, including young professionals. We need affordable housing close to jobs, public transit, good schools and critical services. We also need housing that is designed to enhance the surrounding neighborhood and operate sustainably for decades to come.

For the last decade, housing policy and program administration in the State of Connecticut has been disjointed. With housing programs split among DECD, the Department of Social Services, the Department of Mental Health and Addiction Services, the Office of Policy and Management, and other agencies, we have not been able to be as strategic, efficient or as user-friendly as we could be. The Interagency Council recognized the tremendous value of consolidating into one agency the many housing programs currently administered by several agencies. Through consolidation, the State will have the ability to more efficiently and effectively utilize the financial resources committed by the Governor and the legislature.



The Governor's bill details the statutory changes necessary to implement this consolidation within the Department of Housing, which was established pursuant to Public Act 12-1 of the June Special Session. Specifically, this bill (a) transfers to the Department of Housing all aspects of policy and program administration with respect to the development, redevelopment, preservation, maintenance, and improvement of affordable housing and related initiatives to support affordable housing and strengthen communities, (b) adds the Department of Housing and its Commissioner to those commissions, boards, and committees where housing programs and policies are affected or where an affordable housing perspective is strategically important, and (c) facilitates the transfer of programs, funds, and responsibilities associated with affordable housing to the care, custody, and control of the Commissioner of Housing.

The selection of the specific programs to be transferred to the Department of Housing pursuant to this bill is based on the recommendations set forth in the Interagency Council's report. These programs were carefully selected to achieve the efficiency and comprehensive vision contemplated when the Department of Housing was established.

The proposed consolidation of these programs will also facilitate better coordination of the State's affordable housing policy with its agenda in the many areas that are related to housing, including, for example, economic development, transportation, education, social services, energy conservation, and public health. At a time when the State must "do more with less," it is imperative that the State align its investments in affordable housing with its expenditures in these other areas. This bill enables the State to do just that.

Finally, I would like to express my appreciation to Governor Malloy for his vision and leadership in prioritizing affordable housing and recognizing the central role it plays in the growth of Connecticut's economy. I would also like to reiterate my appreciation for the efforts and insights of my fellow members on the Interagency Council and for all of the organizations and individuals who provided valuable input during the course of the Interagency Council's deliberations.

Governor's Bill 845

In my capacity as the Commissioner of Economic and Community Development and as Chair of the Board of the Connecticut Housing Finance Authority (CHFA), I would also like to express my support for Governor's Bill 845. Briefly stated, Governor's Bill 845 increases, from \$1.5 billion to \$2.25 billion, the aggregate amount of mortgage purchases and loans that CHFA can make where such mortgages are not insured or guaranteed by certain state and federal entities.

By way of background, CHFA is a self-supporting quasi-public housing agency. Among other functions vital to the health and stability of the State's housing market and economy overall, CHFA provides financing for buyers of single-family homes and the



development of affordable multifamily housing. Under current law, CHFA is authorized to make loans and purchase mortgages that are uninsured, up to a total maximum dollar amount of \$1.5 billion. This bill simply raises that cap to \$2.25 billion.

CHFA's multifamily loans generally are not insured. If these loans were insured, in most cases, the loans would be more expensive to the borrower, which would impact the affordability of a CHFA loan. This, in turn, would limit the number of developments that would be viable with CHFA financing.

In addition, while most CHFA single family loans are FHA insured mortgages and are not considered uninsured assets, single family loans where the borrower puts 20% down or are not FHA insured do count against the statutory cap limitation.

Currently, CHFA is approaching the statutory cap of \$1.5 billion and is therefore requesting the cap to be raised to \$2.25 billion so that it can continue its financing of uninsured mortgages for single-family and multifamily properties to expand affordable housing opportunities statewide. Without an increase in the statutory cap, CHFA will be unable to go forward with this work.

This proposal will have no fiscal impact on the State's budget or any negative impact on any other State agencies.

House Bill 6421

As stated in the Statement of Purpose for House Bill 6421, this bill is intended "to clarify the scope of section 8-68f of the general statutes and to ensure that the Department of Economic and Community Development promptly adopts the regulations required under said section."

I believe this bill is not necessary at this time because DECD has already engaged in an extensive, multi-year process to develop and draft regulations required under section 8-68. This process included convening numerous joint discussions and negotiations among the various stakeholders, such as representatives of public housing authorities and advocates of public housing residents. The resulting regulations have the support of those diverse stakeholders and were submitted to the Attorney General's Office for final review in January. We have been informed that the Attorney General's Office has now approved these regulations and therefore we are now able to submit them to the legislature.

In light of these circumstances, I would recommend that no further action be taken with respect to this bill unless the proposed regulations are not submitted to the legislature within a reasonable period from the date of this public hearing.