



House of Representatives

General Assembly

File No. 227

January Session, 2015

House Bill No. 6640

House of Representatives, March 26, 2015

The Committee on Housing reported through REP. BUTLER of the 72nd Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE ALLOCATION OF LOW INCOME HOUSING TAX CREDITS.

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

1 Section 1. (NEW) (*Effective October 1, 2015*) (a) The Connecticut
2 Housing Finance Authority shall allocate low income housing tax
3 credits received pursuant to Section 42 of the Internal Revenue Code of
4 1986, or any subsequent corresponding internal revenue code of the
5 United States, as amended from time to time, by creating priority tiers
6 within the Qualified Allocation Plan in accordance with the following:
7 (1) Feasible proposals in high or very high opportunity areas shall be
8 given priority consideration for seventy-five per cent of such credits;
9 and (2) catalytic proposals in very low, low or moderate opportunity
10 areas shall be given priority consideration for twenty-five per cent of
11 such credits. If credits are not allocated pursuant to subdivisions (1)
12 and (2) of this subsection due to an insufficient number of qualified
13 proposals in any allocation round, any remaining credits shall be made
14 available during the same allocation round to the general pool of

15 applicants in accordance with the priorities determined by the
16 Connecticut Housing Finance Authority in the Qualified Allocation
17 Plan.

18 (b) For purposes of this section, "opportunity areas" means those
19 areas designated as such using opportunity mapping analysis as
20 developed by the Kirwan Institute for the Study of Race and Ethnicity
21 that includes census tract level assessment of educational, economic
22 and neighborhood characteristics, including school performance,
23 poverty rates and crime rates; "feasible proposal" means those
24 proposals demonstrating a strong likelihood of initiating construction
25 within nine months of the tax credit being awarded; and "catalytic
26 proposal" means those proposals that are part of a neighborhood plan
27 predicted to enhance economic development in the neighborhood as
28 demonstrated through market analysis, and do not increase
29 neighborhood poverty levels.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2015	New section

HSG *Joint Favorable*

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.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill requires the Connecticut Housing Finance Authority (CHFA) to allocate federal Low Income Housing Tax Credits (LIHTCs) using priority tiers. There is no fiscal impact to the state as the federal tax credits are allocated to developers.

Based on a per capita formula, the State of Connecticut is scheduled to receive \$8.2 million in 2015 for the LIHTC program. CHFA conducts application rounds in the fall and allocates the LIHTCs based upon the project's compliance with the Qualified Allocation Plan. In the event that the LIHTCs are not fully funded, the federal government recaptures the credits and redistributes to other states.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**HB 6640*****AN ACT CONCERNING THE ALLOCATION OF LOW INCOME HOUSING TAX CREDITS.*****SUMMARY:**

This bill requires the Connecticut Housing Finance Authority (CHFA) to allocate federal Low-Income Housing Tax Credits (LIHTC) using priority tiers it creates in its Qualified Allocation Plan (QAP). Under these tiers, CHFA must give priority consideration to (1) “feasible proposals” in high- or very-high opportunity areas for 75% of the credits and (2) “catalytic proposals” in very low-, low-, or moderate-opportunity areas for 25% of the credits. If there are an insufficient number of proposals qualifying in an allocation round under the priority tiers, then CHFA must allocate the remaining credits to the general pool of applicants according to the other priorities in its QAP.

The bill defines “feasible proposal” as a proposal demonstrating a strong likelihood of starting construction within nine months of the credit being awarded. A “catalytic proposal” is a proposal that (1) is part of a neighborhood plan predicted to enhance the neighborhood’s economic development, as demonstrated through market analysis and (2) does not increase neighborhood poverty levels.

Under the bill, “opportunity areas” are areas identified as such by the Kirwan Institute for the Study of Race and Ethnicity’s opportunity mapping analysis, which assesses census tracts by educational, economic, and neighborhood characteristics, including school performance and poverty and crime rates.

Federal law requires states to annually adopt a QAP that states the criteria it will use to select credit recipients. Among other things,

QAPs must (1) give preference to certain projects, such as those serving the lowest income tenants and (2) include certain selection criteria, such as project location and energy efficiency. It is unclear whether the priority tiers required under the bill conflict with federally required preferences and selection criteria (26 USC 42(m)).

EFFECTIVE DATE: October 1, 2015

BACKGROUND

LIHTC PROGRAM

The federal LIHTC program, administered by CHFA in Connecticut, provides incentives for developers to acquire, rehabilitate, or build low- or mixed-income housing through the allocation of federal tax credits that may be sold to corporations or investors to raise equity for a project. The number of credits is limited; CHFA allocates them based upon how well proposals meet the priorities and selection criteria in the QAP.

Kirwan Institute for the Study of Race and Ethnicity

The Institute conducts policy oriented interdisciplinary research on racial and ethnic disparities at Ohio State University. According to the Institute, opportunity mapping is a tool used to (1) identify where opportunity rich communities exist and assess who has access to these communities and (2) understand what needs to be remedied in opportunity poor communities.

COMMITTEE ACTION

Housing Committee

Joint Favorable

Yea 13 Nay 0 (03/11/2015)