



House of Representatives

General Assembly

File No. 190

February Session, 2016

Substitute House Bill No. 5399

House of Representatives, March 24, 2016

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 STATE REIMBURSEMENT FOR TAX ABATEMENTS AND PAYMENTS IN LIEU OF TAXES.

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

1 Section 1. Section 8-215 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) Any municipality may by ordinance provide for the abatement
4 in part or in whole of real property taxes on any housing solely for low
5 or moderate-income persons or families and may by ordinance classify
6 the property on which such housing is situated as property used for
7 housing solely for low or moderate-income persons or families. Such
8 tax abatement shall be used for one or more of the following purposes:
9 (1) To reduce rents below the levels which would be achieved in the
10 absence of such abatement and to improve the quality and design of
11 such housing; (2) to effect occupancy of such housing by persons and
12 families of varying income levels within limits determined by the
13 Commissioner of Housing by regulation; or (3) to provide necessary
14 related facilities or services in such housing. Such abatement shall be

15 made pursuant to a contract between the municipality and the owner
16 of any such housing, which contract shall provide the terms of such
17 abatement, that moneys equal to the amount of such abatement shall
18 be used for any one or more of the purposes herein stated, and that
19 such abatement shall terminate at any time when such housing is not
20 solely for low or moderate-income persons or families.

21 (b) A municipality shall abate the real property taxes, for the period
22 commencing July 1, 2016, and ending June 30, 2018, on any real
23 property for which a tax abatement was granted pursuant to
24 subsection (a) of this section in the fiscal year ending June 30, 2015,
25 except no abatement shall (1) exceed the value of the tax abatement
26 granted pursuant to subsection (a) of this section in the fiscal year
27 ending June 30, 2015, (2) be granted if the housing no longer fulfills the
28 purposes stated in subsection (a) of this section, or (3) be granted to the
29 extent to which funds are made available for such taxes by an agency
30 or department of the United States government.

31 Sec. 2. Section 8-71 of the general statutes is repealed and the
32 following is substituted in lieu thereof (*Effective from passage*):

33 In lieu of real property taxes, special benefit assessments and
34 sewerage system use charges otherwise payable to such municipality,
35 except in such municipalities as, by special act or charter, on May 20,
36 1957, had a sewer use charge, an authority shall pay each year to the
37 municipality in which any of its moderate rental housing projects are
38 located a sum to be determined by the municipality, with the approval
39 of the Commissioner of Housing, not in excess of twelve and one-half
40 per cent of the shelter rent per annum for each occupied dwelling unit
41 in any such housing project; except that the amount of such payment
42 shall not be so limited in any case where funds are made available for
43 such payment by an agency or department of the United States
44 government. [, but no] No payment shall exceed the amount of taxes
45 which would be paid on the property were the property not exempt
46 from taxation. For the period commencing July 1, 2016, and ending
47 June 30, 2018, each municipality that has received a grant-in-aid

48 pursuant to section 8-216 in the fiscal year ending June 30, 2015, shall
49 waive any payment required pursuant to this section, except that no
50 waiver shall be required in any case where funds are made available
51 for such payment by an agency or department of the United States
52 government.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	8-215
Sec. 2	<i>from passage</i>	8-71

Statement of Legislative Commissioners:

In section 2, the effective date was changed for consistency.

HSG *Joint Favorable Subst.*

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:

Municipalities	Effect	FY 17 \$	FY 18 \$
Various Municipalities	STATE MANDATE	Revenue Loss	Revenue Loss

Summary Explanation

The bill results in:

(1) a revenue loss in FY 17 - 18 by requiring a waiver of property tax payments required under CGS 8-71 (Moderate Rental PILOT); and

(2) a potential revenue loss in FY 17 - 18 to certain municipalities by requiring a waiver of property tax payments required under CGS 8-215 (Tax Abatement). The revenue loss associated with the Tax Abatement program will vary by municipality depending upon whether a given municipality provides tax abatements to eligible developments, as allowed under existing law.

Background: State Appropriations

Historically, the state budget provided appropriations to fund state aid grants under Tax Abatement and Moderate Rental PILOT to subsidize the revenue loss associated with these provisions.

PA 15-244, the FY 16 - 17 Biennial Budget Act (Budget Act), did not provide an appropriation for the Moderate Rental PILOT grant.

Section 1 of the Budget Act appropriated \$1,118,580 in FY 16 and \$1,153,793 in FY 17 to the Tax Abatement grant. Under Section 12 of

the Budget Act, the FY 16 funding of \$1,118,580 was eliminated through a statutorily required lapse adjustment.

HB 5044, the Governor's revised FY 17 budget, proposes to eliminate the current FY 17 appropriation of \$1,153,793 for the Tax Abatement grant.

The bill impacts those municipalities that received a state aid grant in FY 15 from the Department of Housing. The table below lists those municipalities as well as the state aid grant amounts.¹

It is assumed the revenue losses are not fully subsidized through state appropriations; therefore, the actual revenue loss per municipality is anticipated to be higher than listed below.

Tax Abatement

Municipality	Amount
Ansonia	13,473
Bethel	37,013
Bloomfield	58,383
Bridgeport	29,641
Granby	12,974
Hartford	298,544
Waterbury	259,580
Kent	8,533
Middletown	90,070
New Britain	37,425
New Haven	84,958
Norwalk	11,482
Stamford	430,338
Total FY 15 Appropriation	1,372,414

Moderate Rental PILOT

Municipality	Amount
Bristol	54,794

¹ These totals represent the FY 15 appropriation by program, including changes implemented under the Governor's January 2015 rescission.

Danbury	140,991
East Hartford	38,734
Enfield	87,821
Greenwich	100,286
Hartford	482,774
Meriden	138,706
Middletown	141,931
Norwich	129,713
Seymour	68,127
Sharon	4,279
Stamford	237,929
Storrs	10,028
Stratford	65,480
Wethersfield	21,517
Willimantic	56,620
Total FY 15 Appropriation	1,779,730

The Out Years

The bill limits the waivers of payment to FY 17 and FY 18 only and therefore will have no fiscal impact beginning in FY 19.

OLR Bill Analysis**sHB 5399*****AN ACT CONCERNING STATE REIMBURSEMENT FOR TAX ABATEMENTS AND PAYMENTS IN LIEU OF TAXES.*****SUMMARY:**

This bill gives financial relief to certain housing providers on whose behalf the Department of Housing (DOH) made payments to municipalities in FY 15. It (1) establishes a two-year real property tax abatement for certain privately-owned low- or moderate-income housing developments and (2) extends by two years the requirement that municipalities waive certain payments due from certain state-financed housing authorities.

EFFECTIVE DATE: Upon passage

TAX ABATEMENT FOR PRIVATELY-OWNED DEVELOPMENTS

Existing law authorizes (1) municipalities to provide tax abatements to privately-owned low- or moderate-income housing developments and (2) DOH to reimburse municipalities for some of this revenue loss as part of its Tax Abatement Subsidy Program.

The bill requires, in FY 17 and FY 18, municipalities to abate the taxes on property that received an abatement in FY 15. The FY 17 and FY 18 abatements must (1) have the same dollar value as the FY 15 abatement and (2) be reduced by the amount of any federal funds made available to the development for such taxes. Under the bill, municipalities need not abate taxes owed by a development that no longer qualifies as low- or moderate-income housing.

WAIVER OF PAYMENTS DUE FROM STATE-FINANCED HOUSING AUTHORITIES

Existing law requires tax-exempt state-financed housing authorities

for moderate rental housing projects to make payments to municipalities in lieu of paying property taxes, special benefit assessments, and sewer system use charges. The law authorizes DOH to make payments on authorities' behalf as part of its Payment in Lieu of Taxes Subsidy Program.

PA 15-5, June Special Session (§ 495) prohibits municipalities from requiring an authority to make these payments to municipalities in FY 16 if DOH made a payment on the authority's behalf in FY 15. The bill expands this prohibition for two more years, through FY 18. Under both existing law and the bill, no waiver is required if federal funds are made available for the payments.

COMMITTEE ACTION

Housing Committee

Joint Favorable Substitute

Yea 9 Nay 2 (03/08/2016)