



# Senate

General Assembly

**File No. 260**

February Session, 2016

Substitute Senate Bill No. 155

*Senate, March 29, 2016*

The Committee on Housing reported through SEN. WINFIELD of the 10th Dist., Chairperson of the Committee on the part of the Senate, that the substitute 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, 2016*) (a) For purposes of this  
2 section, "opportunity areas" means those areas so designated by the  
3 Department of Housing; "feasible proposal" means a proposal  
4 demonstrating a strong likelihood of initiating construction within  
5 twelve months of a tax credit being awarded in accordance with  
6 subsection (b) of this section; and "catalytic proposal" means a  
7 proposal that is part of a neighborhood plan predicted to enhance  
8 economic development in the neighborhood as demonstrated through  
9 market analysis and do not increase neighborhood poverty levels.

10 (b) The Connecticut Housing Finance Authority shall design the  
11 Qualified Allocation Plan of the Low Income Housing Tax Credit  
12 program, Section 42 of the Internal Revenue Code of 1986, or any  
13 subsequent corresponding internal revenue code of the United States,  
14 as amended from time to time, to create priority tiers in accordance

15 with the following: (1) Non-age-restricted feasible proposals in high or  
 16 very high opportunity areas shall be given priority consideration for at  
 17 least sixty per cent of such credits; and (2) catalytic proposals that are  
 18 feasible proposals in very low, low or moderate opportunity areas,  
 19 including Qualified Census Tracts, as defined by 26 USC 42(d)(5)(B)(ii)  
 20 shall be given priority consideration for at least twenty-five per cent of  
 21 such credits. If credits are not allocated pursuant to subdivisions (1)  
 22 and (2) of this subsection due to an insufficient number of qualified  
 23 proposals in any allocation round, then any remaining credits shall be  
 24 made available during the same allocation round to the general pool of  
 25 applicants in accordance with the priorities determined by the  
 26 Connecticut Housing Finance Authority regardless of opportunity  
 27 designation.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2016	New section

**Statement of Legislative Commissioners:**

In Subsec. (b), Subdivs. (1) and (2) were redrafted to accurately incorporate the terms defined in Subsec. (a).

**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:** 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 approximately \$8.0 million in 2016 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. However, total requests to CHFA for LIHTCs are historically greater than the annual federal allocation to Connecticut.

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

**OLR Bill Analysis****sSB 155*****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) non-age restricted “feasible proposals” in high- or very-high opportunity areas for at least 60% of the credits and (2) “catalytic proposals” that are feasible proposals in very low-, low-, or moderate-opportunity areas (including HUD-designated qualified census tracts) for at least 25% of the credits. If an insufficient number of proposals qualify in an allocation round under the priority tiers, then CHFA must allocate the remaining credits to the general applicant pool according to its other priorities.

The bill defines “feasible proposal” as a proposal demonstrating a strong likelihood of starting construction within 12 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. “Opportunity areas” are areas identified as such by the Department of Housing. “Qualified census tracts” are HUD-designated census tracts (1) in which at least 50% of households have an income that is less than 60% of the area median income or (2) with a poverty rate of at least 25%.

Federal law requires states to annually adopt a QAP that states the criteria they 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 in qualified census tracts and (2) include certain selection criteria, such as project location and energy efficiency (26 USC 42(m)). It is unclear whether the priority tiers required under the bill conflict with federally required preferences and selection criteria, especially with regard to federal law's preference for projects in qualified census tracts.

EFFECTIVE DATE: October 1, 2016

**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 QAP's priorities and selection criteria.

**COMMITTEE ACTION**

Housing Committee

Joint Favorable Substitute

Yea 9 Nay 2 (03/08/2016)