



**STATEMENT KARL KILDUFF
EXECUTIVE-DIRECTOR
CONNECTICUT HOUSING FINANCE AUTHORITY
ON FEBRUARY 26, 2018
BEFORE THE JOINT COMMITTEE ON GOVERNMENT ADMINISTRATION AND ELECTIONS**

**ON PROPOSED SENATE BILL NO. 180
AN ACT REQUIRING EXECUTIVE AND LEGISLATIVE REVIEW OF CERTAIN QUASI-PUBLIC AGENCY
CONTRACTS AND AGREEMENTS
AND
ON PROPOSED HOUSE BILL NO. 5178
AN ACT REQUIRING EXECUTIVE AND LEGISLATIVE REVIEW OF CERTAIN QUASI-PUBLIC AGENCY
CONTRACTS AND AN ANNUAL REVIEW OF EACH QUASI-PUBLIC AGENCY**

Chairman Fox, Chairman Flexer, Chairman McLachlan, and Members of the Government Administration and Elections Committee, I am Karl Kilduff, Executive Director of the Connecticut Housing Finance Authority. I am here to speak on Proposed Senate Bill No. 180 An Act Requiring Executive and Legislative Review of Certain Quasi-Public Agency Contracts and Agreements, as well as, Proposed House Bill No. 5178 An Act Requiring Executive and Legislative Review of Certain Quasi-Public Agency Contracts and An Annual Review of Each Quasi-Public Agency.

The Connecticut Housing Finance Authority (CHFA) was created by the Connecticut General Assembly in 1969. In almost five decades, we have made more than 130,000 loans to first-time homebuyers and financed the creation and preservation of more than 39,000 affordable multifamily rental units. We are a self-funded agency, not reliant on State appropriations to fulfill our mission. We have accomplished our goals as an issuer of tax exempt bonds and the allocating agency for the federal low-income housing tax credits. We have AAA bond ratings from both Moody's and Standard & Poor's and have maintained these ratings since 2001, including during the 2008 financial crisis.

I would like to begin by noting our support for Proposed Senate Bill No. 180 and extend our appreciation for the consideration of quasi-public contracts with a third-party to comply with federal laws and regulations.

In order for CHFA to respond to a changing market place as we work to fulfill our mission of alleviating the shortage of affordable housing for low- and moderate-income residents in our state, we ask that Proposed Bill No. 5178 mirror the same exemption provided for in the Proposed Senate Bill.

In CHFA's testimony for a similar bill last year, a critical component of our lending success is the use of unrelated, third-party consultants to help the Authority evaluate capital markets, structure the issuance of debt, and maintain housing assets. These consultants are selected through a public procurement process which provides transparency and allows CHFA to evaluate vendor approaches that will best suit the Authority's needs.

To fulfill our mission as a financing entity, there are circumstances when CHFA is required to use a third-party by law or to provide an essential unbiased opinion. For example, the Securities and Exchange Commission requires a bond issuer to use and hire a qualified third-party when procuring a derivative instrument such as a swap. The Authority uses a swap to hedge against interest rate risk and to provide below market interest rates to its borrowers such as first-time homebuyers and multifamily developments. The lack of a consultant or a delay in procuring a consultant is detrimental to the Authority's borrowers as it prohibits the Authority from accessing the financing vehicle needed for it to accomplish its mission.

Without a financial services exemption, Proposed Bill 5178 would run counter to the original intent of why CHFA was created, as well as our ability as a quasi-public entity to be flexible and make timely business decisions to remain competitive. With the support of our consulting partners, CHFA was able to navigate the 2008 economic downturn keeping our bond rating intact and continued lending at a time when our housing peers in the country were having difficulty accessing capital markets.

CHFA is also the allocator of federal Low-Income Housing Tax Credits and as such has a compliance obligation to the Internal Revenue Service for the use of such credits to support the construction of affordable housing in the State. Our compliance monitoring for eligible income levels and tenant selection for these units is delivered through a third-party consultant as a more cost effective solution than through Authority staff.

Without the special consideration for financial services and federal regulatory requirements tied to CHFA's unique role and obligations, Proposed Bill No. 5178 will have the unintended consequence of potentially leaving the Authority without a necessary consultant or create a delay in procuring a consultant which will be detrimental to the Authority when it is trying to access capital markets and convey the fiscal strength and confidence the Authority's AAA bond rating requires, as well as preserve access to important federal funding resources. Those that will be most negatively impacted are the beneficiaries of our lending – the low- to moderate-income first-time homebuyer and tenants in multifamily rental developments. As a result, the Connecticut Housing Finance Authority cannot support this Legislation.

I am thankful that Proposed Bill No. 180 provides the consideration CHFA needs and hope that the House Bill will more closely mirror Proposed Bill No. 180.

I thank you for the opportunity to provide comments.