CONNECTICUT
HOUSING FINANCE
AUTHORITY

STATEMENT OF KARL KILDUFF
EXECUTIVE DIRECTOR
CONNECTICUT HOUSING FINANCE AUTHORITY
ON FFEBRUARY 15, 2019
BEFORE THE JOINT COMMITTEE ON GOVERNMENT ADMINISTRATION AND ELECTIONS

ON COMMITTEE BILL NO. 604
AN ACT REQUIRING EXECUTIVE AND LEGISLATIVE REVIEW OF CERTAIN QUASI-PUBLIC AGENCY CONTRACTS AND AGREEMENTS

Senator Flexer, Representative Fox, Senator Sampson, Representative France, 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 Committee Bill No. 604 An Act Requiring Executive and Legislative Review of Certain Quasi-Public Agency Contracts and Agreements.

The Connecticut Housing Finance Authority (CHFA) was created by the Connecticut General Assembly in 1969. Over five decades, we have made more than 140,000 loans to first-time homebuyers and financed the creation and preservation of more than 53,000 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 credit. 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.

Committee Bill No. 604 provides for all employment contracts, consulting contracts and separation agreements to be reviewed by the Attorney General and, if in excess of $100,000, by the joint standing committee having cognizance of the agency. We are concerned about the focus of this legislation on consulting contracts which will have the unanticipated consequence of diminishing CHFA's ability 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.

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A critical component of our lending success is the use of unrelated, 3rd 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 3rd 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 3rd 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.

As a quasi-public agency, CHFA is able to be flexible and make timely business decisions to remain competitive in our marketplace. With the support of our 3rd party 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. The process as described in the bill would have hampered the Authority's ability to respond quickly and effectively to the downturn.

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 3rd party consultant as a more cost effective solution than through Authority staff.

This legislation 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 residents in multifamily rental developments. As a result, the Connecticut Housing Finance Authority cannot support this Legislation.