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## **OLR Bill Analysis**

### **SB 880**

#### ***AN ACT CONCERNING PAYMENTS IN LIEU OF TAXES TO MUNICIPALITIES FOR HOUSING AUTHORITIES.***

#### **SUMMARY**

This bill establishes a payment in lieu of taxes (PILOT) program to provide state grants to municipalities in which local housing authorities own or lease tax-exempt real property for affordable housing purposes.

With certain exceptions, the bill sets the annual grant amount due to municipalities beginning in FY 24 at 77% of the property taxes that would have been due if the property was taxable. The Office of Policy and Management (OPM) secretary must proportionally reduce these PILOT grants if there is insufficient program funding.

Under the bill, grant-eligible “municipalities” are towns, consolidated towns and cities, consolidated towns and boroughs, boroughs, special taxing districts, and unconsolidated cities.

EFFECTIVE DATE: October 1, 2021

#### **ELIGIBLE PROPERTIES AND MUNICIPALITIES**

Under the bill, PILOT grant eligible properties must be owned or leased by local housing authorities (or regional housing authorities or the State Housing Authority, if they acquire or lease property in the future). The bill specifies that PILOT grants do not reimburse municipalities for lost revenue for properties operated by the federal government.

The bill makes a municipality ineligible for the new PILOT grant if it is receiving guaranteed payments under a contract with the Department of Housing (DOH) for reimbursement through the existing Payment in Lieu of Taxes Subsidy Program (see

BACKGROUND).

### **PILOT GRANT AMOUNT**

The bill requires the OPM secretary to annually determine the amount due to each municipality for the upcoming fiscal year by January 1. The first grants must be paid in FY 24 (i.e., the fiscal year beginning July 1, 2023), and continue each fiscal year after that.

The OPM secretary must calculate the grant amount based on the assessment year from two years prior. (For the determination due on January 1, 2023, she must use October 1, 2021, assessment year data). (Presumably, OPM would determine the amounts due based on assessment data reported by the municipalities, but the bill does not establish a reporting process.)

### **BACKGROUND**

#### ***Payment in Lieu of Taxes Subsidy Program***

Under existing law, tax-exempt state-financed housing authorities for moderate rental housing projects must make payments to municipalities in lieu of paying property taxes, special benefit assessments, and sewer system use charges (CGS § 8-71). The law authorizes DOH to make payments on authorities' behalf as part of its subsidy program, pursuant to contracts between the state, municipalities, and housing authorities (CGS § 8-216).

### **COMMITTEE ACTION**

Housing Committee

Joint Favorable

Yea 13    Nay 2    (03/09/2021)