



Senate

General Assembly

File No. 180

January Session, 2021

Senate Bill No. 49

Senate, March 29, 2021

The Committee on Housing reported through SEN. LOPES of the 6th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT INCREASING OPPORTUNITIES FOR WORKFORCE HOUSING DEVELOPMENT IN THE STATE.

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

- 1 Section 1. (NEW) (*Effective July 1, 2021*) (a) As used in this section:
- 2 (1) "Commissioner" means the Commissioner of Housing.
- 3 (2) "Eligible workforce housing opportunity development project" or
4 "project" means a project for the construction or substantial
5 rehabilitation of rental housing (A) located within an opportunity zone
6 in this state, (B) designated under subsection (e) of this section for
7 certain professions that work within the municipality in which the
8 project is located and for low and moderate income families and
9 individuals, and (C) that may incorporate renewable energy technology
10 and be transit-oriented.
- 11 (3) "Substantial rehabilitation" means either (A) the costs of any
12 repair, replacement or improvement to a building that exceeds twenty-

13 five per cent of the value of such building after the completion of all
14 such repairs, replacements or improvements, or (B) the replacement of
15 two or more of the following: (i) Roof structures, (ii) ceilings, (iii) wall
16 or floor structures, (iv) foundations, (v) plumbing systems, (vi) heating
17 and air conditioning systems, or (vii) electrical systems.

18 (4) "Opportunity zone" means an area designated as a qualified
19 opportunity zone pursuant to the Tax Cuts and Jobs Act of 2017, P.L.
20 115-97, as amended from time to time.

21 (5) "Eligible developer" or "developer" means (A) a nonprofit
22 corporation; (B) any business corporation incorporated pursuant to
23 chapter 601 of the general statutes, (i) having as one of its purposes the
24 construction, rehabilitation, ownership or operation of housing, and (ii)
25 either certified under this section or having articles of incorporation
26 approved by the commissioner in accordance with regulations adopted
27 pursuant to section 8-79a or 8-84 of the general statutes; (C) any
28 partnership, limited partnership, limited liability partnership, joint
29 venture, trust, limited liability company or association, (i) having as one
30 of its purposes the construction, rehabilitation, ownership or operation
31 of housing, and (ii) either certified under this section or having basic
32 documents of organization approved by the commissioner in
33 accordance with regulations adopted pursuant to section 8-79a or 8-84
34 of the general statutes; (D) a housing authority; or (E) a municipal
35 developer.

36 (6) "Authority" or "housing authority" means any of the public
37 corporations created by section 8-40 of the general statutes, and the
38 Connecticut Housing Authority when exercising the rights, powers,
39 duties or privileges of, or subject to the immunities or limitations of,
40 housing authorities pursuant to section 8-121 of the general statutes.

41 (7) "Nonprofit corporation" means a nonprofit corporation
42 incorporated pursuant to chapter 602 of the general statutes or any
43 predecessor statutes thereto, having as one of its purposes the
44 construction, rehabilitation, ownership or operation of housing and
45 having articles of incorporation approved by the Commissioner of

46 Housing in accordance with regulations adopted pursuant to section 8-
47 79a or 8-84 of the general statutes or certified under this section.

48 (8) "Municipal developer" means a municipality which has not
49 declared by resolution a need for a housing authority pursuant to
50 section 8-40 of the general statutes, acting by and through its legislative
51 body. "Municipal developer" means the board of selectmen if such
52 board is authorized to act as the municipal developer by the town
53 meeting or representative town meeting.

54 (9) "Low and moderate income" means individuals or families who
55 lack the amount of income which is necessary, as determined by the
56 Commissioner of Housing, to enable them to rent mixed income
57 housing without financial assistance.

58 (10) "Market rate" means the rental income that such property would
59 most probably command on the open market as indicated by present
60 rentals in the opportunity zone being paid for comparable space.

61 (b) There is established a workforce housing opportunity
62 development program administered by the Department of Housing
63 under which individuals or entities who make cash contributions to an
64 eligible developer for an eligible workforce housing opportunity
65 development project located in a federally designated opportunity zone
66 may be allowed a credit against the tax due under chapter 208 or 229 of
67 the general statutes in an amount equal to the amount specified by the
68 commissioner under this section. Any developer of a workforce housing
69 opportunity development project shall be allowed an exemption from
70 any fees under section 29-263 of the general statutes, as amended by this
71 act, and any eligible workforce housing opportunity development
72 project shall be assessed using the capitalization of net income method
73 under subsection (b) of section 12-63b of the general statutes, as
74 amended by this act.

75 (c) The Commissioner of Housing shall determine eligibility criteria
76 for such program and establish an application process for the program.
77 The Department of Housing shall commence accepting applications for

78 such program not later than January 1, 2023. A developer may apply to
79 the Department of Housing for certification as a developer qualified to
80 receive cash investments eligible for a tax credit pursuant to this section
81 in a manner and form prescribed by the commissioner. To the extent
82 feasible, any eligible workforce housing opportunity development
83 project shall incorporate renewable energy or other technology in order
84 to lower utility costs for the tenants and be transit-oriented. Any eligible
85 workforce housing opportunity development project once constructed
86 or substantially rehabilitated shall be rented as follows: (1) Fifty per cent
87 of the units shall be rented at the market rate, (2) forty per cent of the
88 units shall be rented to the workforce population designated under
89 subsection (e) of this section, where such project is located at a rent not
90 exceeding twenty per cent of the prevailing rent of the opportunity zone
91 where such development is located, and (3) ten per cent of the units shall
92 be rented to families or individuals of low and moderate income
93 receiving rental assistance under chapter 128 or 319uu of the general
94 statutes or 42 USC 1437f, as amended from time to time. Any such
95 program shall provide for a method of selecting persons satisfying such
96 income criteria to rent such units of housing from among a pool of
97 applicants, which method shall not discriminate on the basis of race,
98 creed, color, national origin, ancestry, sex, gender identity or expression,
99 age or physical or intellectual disability.

100 (d) A workforce housing opportunity development project shall be
101 scheduled for completion not more than three years after the date of
102 approval by the Department of Housing. Each developer of a workforce
103 housing opportunity development project shall submit to the
104 commissioner quarterly progress reports and a final report upon
105 completion, in a manner and form prescribed by the commissioner. If a
106 workforce housing opportunity development project fails to be
107 completed on or before three years from the date of approval of such
108 project, or at any time the commissioner determines that a project is
109 unlikely to be completed, the commissioner may request the Attorney
110 General to reclaim any remaining funds contributed by individuals or
111 entities under subsection (b) of this section and reallocate such funds to
112 another eligible project.

113 (e) The developer shall obtain the approval of the zoning commission,
114 as defined in section 8-13m of the general statutes, of the municipality
115 and of any other applicable municipal agency for the proposed
116 workforce housing opportunity development project. After all such
117 approvals are granted, the municipality may, not later than thirty days
118 after such approval, by vote of its legislative body or, in a municipality
119 where the legislative body is a town meeting, by vote of the board of
120 selectmen, designate the workforce population that forty per cent of the
121 project shall be dedicated to. Such designation may include volunteer
122 firefighters, teachers, police officers, emergency medical personnel or
123 other professions of persons working in the municipality. If the
124 municipality does not vote within such time period, the developer shall
125 designate the workforce population.

126 (f) For taxable income years commencing on or after January 1, 2023,
127 the Commissioner of Revenue Services shall grant a credit against the
128 tax imposed under chapter 208 or 229 of the general statutes, other than
129 the liability imposed by section 12-707 of the general statutes, in an
130 amount equal to the amount specified by the Commissioner of Housing
131 in a tax credit voucher issued by the Commissioner of Housing pursuant
132 to subsection (g) of this section.

133 (g) (1) The Commissioner of Housing shall administer a system of tax
134 credit vouchers within the resources, requirements and purposes of this
135 section, for individuals and entities making cash contributions to an
136 eligible developer for an eligible workforce housing opportunity
137 development project. Such voucher may be used as a credit against the
138 tax to which such individual or entity is subject under chapter 208 or 229
139 of the general statutes, other than the liability imposed by section 12-707
140 of the general statutes.

141 (2) In no event shall the total amount of all tax credits allowed to all
142 individuals or entities pursuant to the provisions of this section exceed
143 five million dollars in any one fiscal year.

144 (3) No tax credit shall be granted to any individual or entity for any
145 individual amount contributed of less than two hundred fifty dollars.

146 (4) Any tax credit not used in the taxable income year during which
147 the cash contribution was made may be carried forward or backward
148 for the five immediately succeeding or preceding taxable or income
149 years until the full credit has been allowed.

150 (5) If an entity claiming a credit under this section is an S corporation
151 or an entity treated as a partnership for federal income tax purposes, the
152 credit may be claimed by the entity's shareholders or partners. If the
153 entity is a single member limited liability company that is disregarded
154 as an entity separate from its owner, the credit may be claimed by such
155 limited liability company's owner, provided such owner is subject to the
156 tax imposed under chapter 208 or 229 of the general statutes.

157 (h) The Commissioner of Housing shall adopt regulations in
158 accordance with the provisions of chapter 54 of the general statutes to
159 implement the provisions of this section, including, but not limited to,
160 the conditions for certification of a developer applying for assistance
161 under this section.

162 Sec. 2. Section 12-63b of the general statutes is repealed and the
163 following is substituted in lieu thereof (*Effective July 1, 2021*):

164 (a) The assessor or board of assessors in any town, at any time, when
165 determining the present true and actual value of real property as
166 provided in section 12-63, which property is used primarily for the
167 purpose of producing rental income, exclusive of such property used
168 solely for residential purposes, containing not more than six dwelling
169 units and in which the owner resides, shall determine such value on the
170 basis of an appraisal which shall include to the extent applicable with
171 respect to such property, consideration of each of the following methods
172 of appraisal: (1) Replacement cost less depreciation, plus the market
173 value of the land, (2) capitalization of net income based on market rent
174 for similar property, and (3) a sales comparison approach based on
175 current bona fide sales of comparable property. The provisions of this
176 section shall not be applicable with respect to any housing assisted by
177 the federal or state government except any such housing for which the
178 federal assistance directly related to rent for each unit in such housing

179 is no less than the difference between the fair market rent for each such
180 unit in the applicable area and the amount of rent payable by the tenant
181 in each such unit, as determined under the federal program providing
182 for such assistance.

183 (b) In the case of an eligible workforce housing opportunity
184 development project, as defined in section 1 of this act, the assessor shall
185 use the capitalization of net income method based on the actual rent
186 received for the property.

187 [(b)] (c) For purposes of subdivision (2) of subsection (a) of this
188 section and, generally, in its use as a factor in any appraisal with respect
189 to real property used primarily for the purpose of producing rental
190 income, the term "market rent" means the rental income that such
191 property would most probably command on the open market as
192 indicated by present rentals being paid for comparable space. In
193 determining market rent the assessor shall consider the actual rental
194 income applicable with respect to such real property under the terms of
195 an existing contract of lease at the time of such determination.

196 Sec. 3. Section 8-395 of the general statutes is repealed and the
197 following is substituted in lieu thereof (*Effective July 1, 2021*):

198 (a) As used in this section, (1) "business firm" means any business
199 entity authorized to do business in the state and subject to the
200 corporation business tax imposed under chapter 208, or any company
201 subject to a tax imposed under chapter 207, or any air carrier subject to
202 the air carriers tax imposed under chapter 209, or any railroad company
203 subject to the railroad companies tax imposed under chapter 210, or any
204 regulated telecommunications service, express, cable or community
205 antenna television company subject to the regulated
206 telecommunications service, express, cable and community antenna
207 television companies tax imposed under chapter 211, or any utility
208 company subject to the utility companies tax imposed under chapter
209 212, [and] (2) "nonprofit corporation" means a nonprofit corporation
210 incorporated pursuant to chapter 602 or any predecessor statutes
211 thereto, having as one of its purposes the construction, rehabilitation,

212 ownership or operation of housing and having articles of incorporation
213 approved by the executive director of the Connecticut Housing Finance
214 Authority in accordance with regulations adopted pursuant to section
215 8-79a or 8-84, (3) "workforce housing development project" or "project"
216 means the construction or substantial rehabilitation of dwelling units for
217 rental housing where (A) ten per cent of the units are affordable
218 housing, (B) forty per cent of the units are rented to the workforce
219 population designated by the developer, in consultation with the
220 municipality where such project is located, at a rent not exceeding
221 twenty per cent of the prevailing rent of the area where such
222 development is located, and (C) fifty per cent of the units are rented at
223 a market rate and includes, but is not limited to, an eligible workforce
224 housing opportunity development project, as defined in section 1 of this
225 act, (4) "affordable housing" means rental housing for which persons
226 and families pay thirty per cent or less of their annual income, where
227 such income is less than or equal to the area median income for the
228 municipality in which such housing is located, as determined by the
229 United States Department of Housing and Urban Development, (5)
230 "substantial rehabilitation" means either (A) the costs of any repair,
231 replacement or improvement to a building that exceeds twenty-five per
232 cent of the value of such building after the completion of all such repairs,
233 replacements or improvements, or (B) the replacement of two or more
234 of the following: (i) Roof structures, (ii) ceilings, (iii) wall or floor
235 structures, (iv) foundations, (v) plumbing systems, (vi) heating and air
236 conditioning systems, or (vii) electrical systems, and (6) "market rate"
237 means the rental income that such unit would most probably command
238 on the open market as indicated by present rentals being paid for
239 comparable space in the area where the unit is located.

240 (b) The Commissioner of Revenue Services shall grant a credit against
241 [any] the tax [due] imposed under [the provisions of] chapter 207, 208,
242 209, 210, 211 or 212 in an amount equal to the amount specified by the
243 Connecticut Housing Finance Authority in any tax credit voucher
244 issued by said authority pursuant to subsection (c) of this section.

245 (c) The Connecticut Housing Finance Authority shall administer a

246 system of tax credit vouchers within the resources, requirements and
247 purposes of this section, for business firms making cash contributions to
248 housing programs developed, sponsored or managed by a nonprofit
249 corporation, as defined in subsection (a) of this section, which benefit
250 low and moderate income persons or families which have been
251 approved prior to the date of any such cash contribution by the
252 authority, including, but not limited to, contributions for a workforce
253 housing development project. Such vouchers may be used as a credit
254 against any of the taxes to which such business firm is subject and which
255 are enumerated in subsection (b) of this section. For taxable or income
256 years commencing on or after January 1, 1998, to be eligible for approval
257 a housing program shall be scheduled for completion not more than
258 three years from the date of approval. For taxable or income years
259 commencing on or after January 1, 2022, to be eligible for approval, a
260 workforce housing development project shall be scheduled for
261 completion not more than three years from the date of approval. Each
262 program or developer of a workforce housing development project shall
263 submit to the authority quarterly progress reports and a final report
264 upon completion, in a manner and form prescribed by the authority. If
265 a program or workforce housing development project fails to be
266 completed [after] on or before three years from the date of approval of
267 the project, or at any time the authority determines that a program or
268 project is unlikely to be completed, the authority may reclaim any
269 remaining funds contributed by business firms and reallocate such
270 funds to another eligible program or project.

271 (d) No business firm shall receive a credit pursuant to both this
272 section and chapter 228a in relation to the same cash contribution.

273 (e) Nothing in this section shall be construed to prevent two or more
274 business firms from participating jointly in one or more programs or
275 projects under the provisions of this section. Such joint programs or
276 projects shall be submitted, and acted upon, as a single program or
277 project by the business firms involved.

278 (f) No tax credit shall be granted to any business firm for any

279 individual amount contributed of less than two hundred fifty dollars.

280 (g) Any tax credit not used in the [period] taxable or income year
281 during which the cash contribution was made may be carried forward
282 or backward for the five immediately succeeding or preceding taxable
283 or income years until the full credit has been allowed.

284 (h) In no event shall the total amount of all tax credits allowed to all
285 business firms pursuant to the provisions of this section exceed ten
286 million dollars in any one fiscal year, provided, each year until the date
287 sixty days after the date the Connecticut Housing Finance Authority
288 publishes the list of housing programs or workforce housing
289 development projects that will receive tax credit reservations, two
290 million dollars of the total amount of all tax credits under this section
291 shall be set aside for permanent supportive housing initiatives
292 established pursuant to section 17a-485c, and one million dollars of the
293 total amount of all tax credits under this section shall be set aside for
294 workforce housing, as defined by the Connecticut Housing Finance
295 Authority through written procedures adopted pursuant to subsection
296 (k) of this section. Each year, on or after the date sixty days after the date
297 the Connecticut Housing Finance Authority publishes the list of
298 housing programs or projects that will receive tax credit reservations,
299 any unused portion of such tax credits shall become available for any
300 housing program or project eligible for tax credits pursuant to this
301 section.

302 (i) No organization conducting a housing program or [programs]
303 project eligible for funding with respect to which tax credits may be
304 allowed under this section shall be allowed to receive an aggregate
305 amount of such funding for any such program or [programs] project in
306 excess of five hundred thousand dollars for any fiscal year.

307 (j) Nothing in this section shall be construed to prevent a business
308 firm from making any cash contribution to a housing program or project
309 to which tax credits may be applied which cash contribution may result
310 in the business firm having a limited equity interest in the program or
311 project.

312 (k) The Connecticut Housing Finance Authority, with the approval of
313 the Commissioner of Revenue Services, shall adopt written procedures
314 in accordance with section 1-121 to implement the provisions of this
315 section. Such procedures shall include provisions for issuing tax credit
316 vouchers for cash contributions to housing programs or projects based
317 on a system of ranking housing programs. In establishing such ranking
318 system, the authority shall consider the following: (1) The readiness of
319 the project to be built; (2) use of the funds to build or rehabilitate a
320 specific housing project or to capitalize a revolving loan fund providing
321 low-cost loans for housing construction, repair or rehabilitation to
322 benefit persons of very low, low and moderate income; (3) the extent the
323 project will benefit families at or below twenty-five per cent of the area
324 median income and families with incomes between twenty-five per cent
325 and fifty per cent of the area median income, as defined by the United
326 States Department of Housing and Urban Development; (4) evidence of
327 the general administrative capability of the nonprofit corporation to
328 build or rehabilitate housing; (5) evidence that any funds received by
329 the nonprofit corporation for which a voucher was issued were used to
330 accomplish the goals set forth in the application; and (6) with respect to
331 any income year commencing on or after January 1, 1998: (A) Use of the
332 funds to provide housing opportunities in urban areas and the impact
333 of such funds on neighborhood revitalization; and (B) the extent to
334 which tax credit funds are leveraged by other funds.

335 (l) Vouchers issued or reserved by the Department of Housing under
336 the provisions of this section prior to July 1, 1995, shall be valid on and
337 after July 1, 1995, to the same extent as they would be valid under the
338 provisions of this section in effect on June 30, 1995.

339 (m) The credit which is sought by the business firm shall first be
340 claimed on the tax return for such business firm's taxable income or year
341 during which the cash contribution to which the tax credit voucher
342 relates was paid.

343 Sec. 4. Section 29-263 of the general statutes is repealed and the
344 following is substituted in lieu thereof (*Effective July 1, 2021*):

345 (a) Except as provided in subsection (h) of section 29-252a and the
346 State Building Code adopted pursuant to subsection (a) of section 29-
347 252, after October 1, 1970, no building or structure shall be constructed
348 or altered until an application has been filed with the building official
349 and a permit issued. Such permit shall be issued or refused, in whole or
350 in part, within thirty days after the date of an application. No permit
351 shall be issued except upon application of the owner of the premises
352 affected or the owner's authorized agent. No permit shall be issued to a
353 contractor who is required to be registered pursuant to chapter 400, for
354 work to be performed by such contractor, unless the name, business
355 address and Department of Consumer Protection registration number
356 of such contractor is clearly marked on the application for the permit,
357 and the contractor has presented such contractor's certificate of
358 registration as a home improvement contractor. Prior to the issuance of
359 a permit and within said thirty-day period, the building official shall
360 review the plans of buildings or structures to be constructed or altered,
361 including, but not limited to, plans prepared by an architect licensed
362 pursuant to chapter 390, a professional engineer licensed pursuant to
363 chapter 391 or an interior designer registered pursuant to chapter 396a
364 acting within the scope of such license or registration, to determine their
365 compliance with the requirements of the State Building Code and,
366 where applicable, the local fire marshal shall review such plans to
367 determine their compliance with the Fire Safety Code. Such plans
368 submitted for review shall be in substantial compliance with the
369 provisions of the State Building Code and, where applicable, with the
370 provisions of the Fire Safety Code.

371 (b) On and after July 1, 1999, the building official shall assess an
372 education fee on each building permit application. During the fiscal year
373 commencing July 1, 1999, the amount of such fee shall be sixteen cents
374 per one thousand dollars of construction value as declared on the
375 building permit application and the building official shall remit such
376 fees quarterly to the Department of Administrative Services, for deposit
377 in the General Fund. Upon deposit in the General Fund, the amount of
378 such fees shall be credited to the appropriation to the Department of
379 Administrative Services and shall be used for the code training and

380 educational programs established pursuant to section 29-251c and the
381 educational programs required in subsections (a) and (b) of section 29-
382 262. On and after July 1, 2000, the assessment shall be made in
383 accordance with regulations adopted pursuant to subsection (d) of
384 section 29-251c. All fees collected pursuant to this subsection shall be
385 maintained in a separate account by the local building department.
386 During the fiscal year commencing July 1, 1999, the local building
387 department may retain two per cent of such fees for administrative costs
388 incurred in collecting such fees and maintaining such account. On and
389 after July 1, 2000, the portion of such fees which may be retained by a
390 local building department shall be determined in accordance with
391 regulations adopted pursuant to subsection (d) of section 29-251c. No
392 building official shall assess such education fee on a building permit
393 application to repair or replace a concrete foundation that has
394 deteriorated due to the presence of pyrrhotite.

395 (c) Any municipality may, by ordinance adopted by its legislative
396 body, exempt Class I renewable energy source projects from payment
397 of building permit fees imposed by the municipality.

398 (d) Notwithstanding any municipal charter, home rule ordinance or
399 special act, no municipality shall collect an application fee on a building
400 permit application to repair or replace a concrete foundation that has
401 deteriorated due to the presence of pyrrhotite.

402 (e) Notwithstanding any municipal charter, home rule ordinance or
403 special act, no municipality shall collect any fee for a building permit
404 application for the construction or substantial rehabilitation of (1) an
405 eligible workforce housing opportunity development project, as defined
406 in section 1 of this act, or (2) a workforce housing development project,
407 as defined in section 8-395, as amended by this act.

408 Sec. 5. (NEW) (*Effective October 1, 2021, and applicable to assessment*
409 *years commencing on or after October 1, 2021*) The legislative body of any
410 municipality or, in a municipality where the legislative body is a town
411 meeting, the board of selectmen, may, by ordinance, exempt from real
412 property tax any workforce housing development project, as defined in

413 section 8-395 of the general statutes, as amended by this act, to the extent
414 of seventy per cent of its valuation for purposes of assessment in each
415 of the seven full assessment years following the assessment year in
416 which the construction or substantial rehabilitation, as defined in
417 section 8-395 of the general statutes, as amended by this act, is
418 completed.

419 Sec. 6. (NEW) (*Effective October 1, 2021*) (a) The Secretary of the Office
420 of Policy and Management shall pay a state grant in lieu of taxes to any
421 municipality that has opted to partially exempt from real property tax a
422 workforce housing development project under section 5 of this act and
423 submitted an application for such grant. A municipality shall apply for
424 such grant annually on a form and in a manner prescribed by the
425 secretary. On or before January first, annually, the Secretary of the Office
426 of Policy and Management shall determine the amount due to such
427 municipalities, in accordance with this section.

428 (b) Beginning with the fiscal year commencing July 1, 2023, the grant
429 payable to any municipality that applies for a grant under the provisions
430 of this section shall be equal to seventy per cent of the property taxes
431 which, except for any exemption applicable to any such housing
432 authority property under the provisions of chapter 128 of the general
433 statutes, would have been paid with respect to such exempt real
434 property on the assessment list in such municipality for the assessment
435 date two years prior to the commencement of the state fiscal year in
436 which such grant is payable, for a maximum of seven assessment years.
437 The amount of the grant payable to each municipality in any year in
438 accordance with this section shall be reduced proportionately in the
439 event that the total of such grants in such year exceeds the amount
440 appropriated for the purposes of this section with respect to such year.

441 Sec. 7. (NEW) (*Effective October 1, 2021*) The Connecticut Housing
442 Finance Authority shall develop and administer a program of mortgage
443 assistance for (1) developers for the construction or substantial
444 rehabilitation of eligible workforce housing opportunity development
445 projects, as defined in section 1 of this act, and (2) developers for the

446 construction or substantial rehabilitation of workforce housing
 447 development projects, as defined in section 8-395 of the general statutes,
 448 as amended by this act. In making mortgage assistance available under
 449 the program, the authority shall utilize any appropriate housing
 450 subsidies.

451 Sec. 8. (*Effective from passage*) The Department of Housing shall,
 452 within available appropriations, conduct a study on methods to (1)
 453 increase housing options for apprentices and other newly hired
 454 employees, and (2) enable such apprentices and other newly hired
 455 employees to reside in the municipalities in which they work. Not later
 456 than January 1, 2022, the Commissioner of Housing shall submit a
 457 report, in accordance with the provisions of section 11-4a of the general
 458 statutes, to the joint standing committee of the General Assembly
 459 having cognizance of matters relating to housing. Such report shall
 460 include recommendations on methods to increase such housing options
 461 and any legislation necessary to implement such recommendations.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2021</i>	New section
Sec. 2	<i>July 1, 2021</i>	12-63b
Sec. 3	<i>July 1, 2021</i>	8-395
Sec. 4	<i>July 1, 2021</i>	29-263
Sec. 5	<i>October 1, 2021, and applicable to assessment years commencing on or after October 1, 2021</i>	New section
Sec. 6	<i>October 1, 2021</i>	New section
Sec. 7	<i>October 1, 2021</i>	New section
Sec. 8	<i>from passage</i>	New section

HSG *Joint Favorable*

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:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Department of Housing	GF - Cost	Up to 50,000	168,200
State Comptroller - Fringe Benefits ¹	GF - Cost	None	69,500
Department of Housing	GF - Potential Cost	100,000	None
Department of Revenue Services	GF - Cost	None	Up to 75,000
Department of Revenue Services	GF - Revenue Loss	None	See Below
Policy & Mgmt., Off.	GF - Cost	None	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 22 \$	FY 23 \$
Various Municipalities	Precludes Grand List Growth	None	See Below
Various Municipalities	Precludes Revenue Gain	None	See Below

Explanation

The bill, which establishes various state and local financial incentives for investing in and developing rental units set aside for designated populations and households, results in the state and municipal fiscal

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.3% of payroll in FY 22 and FY 23.

impacts outlined below.

State Cost Impact

Section 1 results in program administration costs to the General Fund of up to \$50,000 in FY 22 and of \$237,700 in FY 23 for the Department of Housing (DOH) to establish a tax credit program for workforce housing opportunity developments. As the DOH does not currently administer a tax credit program or have capacity within existing staff, the agency would require a new state program administrator (salary and fringe benefits of \$122,100) and an additional associate accountant (salary and fringe benefits of \$115,600) to operate the program beginning in FY 23. The DOH is also required to adopt implementing regulations (presumably in FY 22) for which the agency typically contracts outside legal services at a cost of up to \$50,000.

Section 1 also results in a one-time cost of up to \$75,000 to the Department of Revenue Services for updates to the online Taxpayer Service Center in FY 23 only.

Section 8 requires the DOH to conduct a study on housing for apprentices and new employees in the towns where they work and report on it by January 1, 2022. To the extent that the DOH lacks the capacity or expertise to conduct such a study in-house, there will be a one-time cost of approximately \$100,000 in FY 22 to contract with a third-party to complete it.

State Revenue and Bonding Impacts

Section 3 expands the CHFA's Housing Program Contribution tax credit program, but does not increase the existing \$10 million annual aggregate credit cap. This does not result in any fiscal impact as the program currently reaches the cap on an annual basis, and there is no cost to CHFA from this provision.

Section 7 requires the CHFA to create a new mortgage assistance program for certain developers. Such programs are anticipated to be funded within the CHFA's resources, which include a combination of

tax-exempt private activity bonds and taxable market-rate bonds. To the extent the new program extends the uses of the CHFA's resources, there is some possibility of either reduced use of such resources for existing programs or of greater reliance on taxable bonds to increase overall resources available for the CHFA's programs. Borrowing through the use of taxable bonds is typically slightly more expensive than the issuance of tax-exempt bonds - it is anticipated that any increase in borrowing costs to the CHFA from additional use of taxable bonds would be passed on to assistance recipients.

Other mortgage assistance programs administered by the CHFA have been supported by General Obligation (GO) bonds. The bill does not authorize new GO bond authorizations for this program, and outstanding bond authorizations for the CHFA do not appear applicable to the newly created program, so no change in General Fund debt service is anticipated from the bill.

Municipal Impact

The bill precludes an increase in grand list growth in certain municipalities by establishing incentives for workforce housing opportunity development projects that reduce their potential property tax liability. The bill: 1) effectively requires assessors to assess such projects at below market value, and 2) allows municipalities to partially exempt such projects from property taxes for seven assessment years following project completion. Any impact would vary based on the value of such projects.

The bill requires the Office of Policy and Management to reimburse municipalities for 77% of the revenue loss they experience if they choose to fully exempt workforce housing developments. This partially offsets any revenue loss municipalities experience as a result of the bill.

The bill also exempts these projects from building permit fees. This precludes a revenue gain that municipalities otherwise would have experienced from collecting such fees.

The Out Years

The annualized ongoing cost impacts identified above would continue into the future subject to inflation.

Section 1 establishes a new tax credit against the personal income and corporation business taxes for individuals or entities making cash contributions to eligible developers constructing or rehabilitating eligible workforce housing opportunity development projects in federally designated opportunity zones. This results in a revenue loss of up to \$5 million annually beginning in FY 24.²

Sources: Department of Revenue Services Annual Report Fiscal Year 2019-2020

² Tax credit vouchers may be claimed against state corporation business and personal income taxes for taxable income years beginning in 2023; it is anticipated that the timing of the claiming of credits would limit the revenue impact to FY 24 and beyond. The bill caps the total amount of credits allowed per fiscal year at \$5 million.

OLR Bill Analysis**SB 49*****AN ACT INCREASING OPPORTUNITIES FOR WORKFORCE HOUSING DEVELOPMENT IN THE STATE.*****SUMMARY**

This bill establishes various state and local financial incentives for individuals and businesses investing in and developing rental units set aside for designated workforce populations and low- and moderate-income households under these programs. Specifically, the bill does the following:

1. establishes a new tax credit against the personal income and corporation business taxes, administered by the Department of Housing (DOH), for individuals or entities making cash contributions to eligible developers constructing or rehabilitating eligible “workforce housing opportunity development projects” in federally designated opportunity zones (see BACKGROUND) (§ 1);
2. expressly allows businesses making cash contributions to nonprofits developing eligible “workforce housing development projects,” including those in an opportunity zone, to qualify for tax credits under the Connecticut Housing Finance Authority’s (CHFA) Housing Program Contribution tax credit program (§ 3);
3. requires municipal tax assessors to assess workforce housing opportunity development projects using the capitalization of net income method based on actual rent received for property tax assessment purposes (§§ 1 & 2);
4. exempts both of these categories of workforce housing projects from building permit application fees (§§ 1 & 4);

5. allows municipalities to provide up to a seven-year, 70% property tax exemption for workforce housing development projects, offset by a 70% state grant in lieu of taxes (§§ 5-6);
6. requires CHFA to develop and administer a mortgage assistance program for developers of both categories of these projects (§ 7); and
7. requires DOH to conduct a workforce housing study and report to the Housing Committee (§ 8).

The bill also makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2021, except for the (1) local option exemption, state grant in lieu of taxes, and CHFA mortgage assistance program provisions, which are effective October 1, 2021, and (2) DOH workforce housing study provision, which is effective upon passage; the local option exemption is applicable to assessment years beginning on or after October 1, 2021.

§ 1 — WORKFORCE HOUSING OPPORTUNITY DEVELOPMENT TAX CREDIT

Administration

The bill requires DOH to administer a new program providing tax credit vouchers to individuals or entities making cash contributions to eligible developers constructing or rehabilitating eligible housing projects in opportunity zones. The department must begin accepting applications from eligible developers by January 1, 2023. Under the bill, the DOH commissioner must determine the program's additional eligibility criteria, certification conditions, and application guidelines. The bill requires the commissioner to adopt regulations to implement the program.

Eligible Projects

Under the bill, an eligible workforce housing opportunity development project is a project to build or substantially rehabilitate rental housing that is (1) located in an opportunity zone in the state and

(2) partially designated for certain targeted residents (see “Rental Requirements”). Additionally, the bill requires these projects, to the extent feasible, to incorporate renewable energy and be transit-oriented.

In the case of rehabilitation projects, the bill requires that (1) a building’s repairs, replacements, or improvements exceed 25% of the building’s value when rehabilitation is complete, or (2) the project replace two or more major components of the building (i.e., roof, wall, or floor structures; plumbing, heating and air conditioning, or electrical systems; and ceilings or foundations).

Eligible Developers

The bill authorizes developers to apply to DOH, in the form and manner the commissioner prescribes, to be certified to receive credit-eligible cash investments under the program. Under the bill, the following entities may qualify as eligible developers:

1. nonprofits and business corporations incorporated in Connecticut and other business entities (i.e., partnerships, limited partnerships, limited liability partnerships, joint ventures, trusts, limited liability companies (LLC), or associations) that (a) construct, rehabilitate, own, or operate housing and (b) are either certified by DOH under the program or whose articles of incorporation or organizational documents, as applicable, have been approved by DOH in accordance with its regulations for the moderate rental housing or moderate cost program;
2. municipal housing authorities (and the Connecticut Housing Authority, although it is no longer active); and
3. municipal developers.

Under the bill, a “municipal developer” is a municipality that has not established a housing authority; it may be the municipality’s board of selectmen if the town meeting or representative town meeting authorized the board to act as the developer.

Rental Requirements

The bill requires that completed workforce housing opportunity development projects be rented as follows:

1. 50% of the units at market rate (i.e., the rate the property would most probably command on the open market based on current comparable rentals in the opportunity zone);
2. 40% of the units to a designated workforce population (as described below) at a rate of up to 20% of the prevailing rent of the opportunity zone in which the development is located (the bill does not specify how the prevailing rent is measured); and
3. 10% of the units to low- and moderate-income households (i.e., those that lack the income to rent mixed income housing without financial assistance, as determined by the DOH commissioner) that also receive rental assistance through certain state programs or the U.S. Department of Housing and Urban Development's federal section 8 program.

Under the bill, the program must establish a method for selecting tenants who meet the income criteria that does not discriminate on the basis of race, creed, color, national origin, ancestry, sex, gender identity or expression, age, or physical or intellectual disability.

Designation of Workforce Population

The bill requires that eligible developers receive municipal approval for proposed workforce housing opportunity development projects from zoning commissions and other applicable municipal agencies. No later than 30 days after a municipality approves a project, its legislative body (or board of selectmen if its legislative body is a town meeting) must vote to designate the workforce population the project will serve. The bill allows developers to make this designation if municipalities fail to do so within the given time limit. Under the bill, the designated workforce population may include volunteer firefighters, teachers, police officers, emergency medical personnel, and any other professions working in the town where the project is located.

Timeframe for Completion

The bill requires eligible developers to (1) schedule the workforce housing opportunity development projects for completion within three years of DOH's project approval and (2) submit quarterly progress reports and a final report to the DOH commissioner. If a project is not completed within the three-year timeframe, or at any time if the DOH commissioner determines that it is unlikely to be completed, the bill allows the commissioner to ask the attorney general to reclaim any remaining contributions made by individuals and entities to the developer and reallocate the funds to another eligible project.

Tax Credits for Qualifying Contributions

The bill requires the DOH commissioner to administer the tax credit vouchers, similar to CHFA's existing Housing Contribution tax credit program, for individuals or entities that make a cash contribution of at least \$250 to an eligible developer for the eligible projects described above. The vouchers may be claimed against state corporation business and personal income taxes, except for the withholding tax, for taxable income years beginning in 2023 (presumably for tax years or income years beginning in 2023). The Department of Revenue Services must grant the credits in the amount specified by DOH in the tax credit vouchers.

The bill caps the total amount of credits allowed per fiscal year at \$5 million. Taxpayers may claim the credits in the taxable income year in which they made the cash contribution and may carry unused credits forward or back for five years. In the case of S corporations or entities treated as a partnership for federal tax purposes, the entity's shareholders or partners may claim the credits. If the entity is a single member LLC that is disregarded as an entity separate from its owner, only the owner may claim the credit.

§ 3 — CHFA'S HOUSING PROGRAM CONTRIBUTION TAX CREDIT

The bill expressly makes "workforce housing development projects" a credit-eligible housing program under the Housing Program Contribution tax credit. Under this program, CHFA administers tax

credit vouchers for businesses that make cash contributions of at least \$250 to nonprofits that develop, sponsor, or manage housing programs benefiting low- and moderate-income households. The credits apply against various business taxes, including the insurance premiums, corporation business, and utility companies taxes.

Under the bill, “workforce housing development projects” are generally similar to the workforce housing opportunity projects described above, except that they are not limited to opportunity zones. (It is unclear whether projects that meet the eligibility criteria for both programs would qualify for both credits for the same cash contributions.)

Specifically, workforce housing development projects are to construct or substantially rehabilitate rental housing where:

1. 50% of the units are market rate units (i.e., the rate the unit would probably command on the open market based on comparable units in the same area);
2. 40% are rented to the workforce population designated by the developer, in consultation with the host municipality; and
3. 10% are affordable housing (i.e., when households earning no more than the host municipality’s area median income, as determined by the U.S. Department of Housing and Urban Development, spend 30% or less of their annual income on it).

Under the bill, “substantial rehabilitation” has the same definition as described above for workforce housing opportunity development projects. An eligible “workforce housing opportunity development” project is also considered an eligible “workforce housing development” project.

By law, unchanged by the bill, the total amount of tax credits allowed to businesses under the program is capped at \$10 million per fiscal year and \$1 million of these credits must be set aside each year for workforce housing as defined in CHFA’s written procedures. The bill also makes

various conforming changes to the Housing Program Contribution tax credit.

§§ 1 & 2 — PROPERTY TAX ASSESSMENT FOR WORKFORCE HOUSING OPPORTUNITY DEVELOPMENT PROJECTS

The bill requires assessors to determine the value of workforce housing opportunity development projects for property tax purposes by using the capitalization of net income method based on actual rent received. This means assessors must consider net rental income, rather than market rent for similar property, when determining the project's gross potential income. Under the capitalization of net income method, all else being equal, a property with a lower gross potential income will also have a lower valuation.

Under current law, assessors must consider three methods when assessing the fair market value of rental properties (with certain exceptions):

1. replacement cost less depreciation, plus the land's market value;
2. capitalization of net income based on market rent for similar property; and
3. comparable sales.

For property tax assessment purposes, the bill treats workforce housing opportunity development projects the same as properties used solely for housing low- or moderate-income individuals and families located in municipalities that have chosen to abate property taxes on these properties (CGS §§ 8-215 & 8-216a).

§ 4 — BUILDING PERMIT FEE EXEMPTION

The bill exempts both categories of workforce housing development projects defined under the bill (i.e., workforce housing development and workforce housing opportunity development projects) from all building permit application fees. In doing so, it supersedes any municipal charters, home rule ordinances, and special acts.

§§ 5 & 6 — LOCAL OPTION PROPERTY TAX EXEMPTION AND STATE REIMBURSEMENT

The bill allows a municipality's legislative body (or board of selectmen if the legislative body is a town meeting) to provide up to a seven-year, 70% property tax exemption to the workforce housing development projects eligible for the Housing Program Contribution tax credit. Under the bill, the property tax exemption may begin in the first full assessment year after the project's construction or rehabilitation is complete.

Additionally, the bill requires the Office of Policy and Management (OPM) secretary, beginning in FY 24, to pay a state grant in lieu of taxes to municipalities that (1) provide this local option exemption and (2) submit an annual grant application to OPM, as OPM prescribes. OPM must determine the amount due to these municipalities annually by January 1.

Under the bill, the grant in lieu of taxes equals 70% of the property taxes that would have been paid for the assessment year two years before the fiscal year in which the grant is paid (excluding exemptions for certain housing authority properties). The grants are payable for a maximum of seven assessment years, beginning in FY 24, and may be reduced proportionately if the total of all grants in a fiscal year exceeds state appropriations for the grants.

§ 7 — CHFA MORTGAGE ASSISTANCE PROGRAM

The bill requires CHFA to (1) develop and administer a mortgage assistance program for developers of both categories of workforce housing projects under the bill and (2) use any appropriate housing subsidies in providing this mortgage assistance.

§ 8 — DOH WORKFORCE HOUSING STUDY

The bill requires DOH to conduct a study, within available appropriations, on ways to (1) increase housing options for apprentices and newly hired employees and (2) enable this population to live in the municipalities where they work. Under the bill, the DOH commissioner

must submit a report to the Housing Committee, including recommendations and legislation necessary for implementation, by January 1, 2022.

BACKGROUND

Opportunity Zones

The federal Opportunity Zone program, created as part of the 2017 federal Tax Cuts and Jobs Act (P.L. 115-97), is designed to spur economic development and job creation in distressed communities by providing federal tax benefits for private investments in the zones. The program’s tax benefits are available to investors that reinvest gains earned on prior investments in a qualified opportunity zone fund that invests in zone businesses. Investors may receive additional tax benefits if they hold their investments in the fund for at least five, seven, or 10 years.

Connecticut has 72 opportunity zones in 27 municipalities that were approved by the U.S. Treasury Department in 2018.

COMMITTEE ACTION

Housing Committee

Joint Favorable
Yea 15 Nay 0 (03/11/2021)