

Planning and Development Committee

JOINT FAVORABLE REPORT

Bill No.: HB-6646

Title: AN ACT CONCERNING CRUMBLING CONCRETE FOUNDATIONS.

Vote Date: 3/31/2021

Vote Action: Joint Favorable Substitute

PH Date: 3/22/2021

File No.: 550

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SPONSORS OF BILL:

Planning and Development Committee

Rep. Jeff Currey, 11th Dist.

Rep. Tom Delnicki, 14th Dist.

Rep. Jaime S. Foster, 57th Dist.

Sen. Saud Anwar, 3rd Dist.

REASONS FOR BILL:

Thousands of families in small towns throughout northeastern Connecticut have been devastated by the discovery that their homes have crumbling foundations because the concrete used contains pyrrhotite, which has compromised the structure. The cost of repairing the foundation, which some estimate can range from \$150,000 - \$250,000, may exceed the equity in or the value of the home, leaving owners with very few options. In addition to the devastating impact on homeowners, towns have seen sizable drops in their grand lists because of the lower assessment value of these homes. Some towns are also worried that because people can't afford the repairs and can't sell the properties, they will end up abandoning their homes. Abandoned properties that may be in danger of collapse create serious public safety concerns.

Previous legislation created the Connecticut Foundations Solutions Indemnity Company, which serves as the captive insurance company to process and pay out claims. This bill eliminates the termination date, currently set for June 30, 2022 and offers other suggested changes: (1) permit any owner of a residential building with a foundation made with defective concrete to obtain a reassessment of such building which shall remain valid until such foundation is repaired or replaced, (2) eliminate the termination date of the captive insurance company established pursuant to section 38a-91vv of the General Statutes, (3) require quarries that produce aggregate for use in concrete to annually prepare a geological source report, (4) require the Commissioner of Consumer Protection to adopt regulations concerning

standards for the testing of aggregate produced by quarries for use in concrete, (5) authorize the Connecticut Housing Finance Authority to make loans to the captive insurance company, and (6) require the captive insurance company to submit a report concerning the damage caused by the presence of pyrrhotite to the concrete foundations of nonresidential buildings in the state.

***Proposed substitute language. Expands Section 8 to include the following: (a) establishes the Healthy Homes Fund as a separate, non-lapsing account within the General Fund which remits funds to (1) DECD for grant-in-aid to specified communities in Woodbridge and New Haven, (2) a newly established program to reduce home health and safety hazards, (3) the captive insurance company to be used for the research and development of the required report. In subsection (b), it establishes the notification procedure regarding the funds from DOH to DPH to municipal health departments. In subsection (c), reporting requirements from DOH to the committee of cognizance are outlined.

RESPONSE FROM ADMINISTRATION/AGENCY:

[Michelle Seagull, Commissioner, Department of Consumer Protection](#). Commissioner Seagull submitted testimony stating that "while the intent of this proposal is appreciated, DCP's proposed involvement seems unnecessary, and DCP does not currently have the resources to implement. If this bill should become law, the Department would need to hire a subject matter expert such as a geologist to work with the State Geologist to write the regulations."

NATURE AND SOURCES OF SUPPORT:

[Michael Maglaras, Superintendent of Connecticut Foundation Solutions Indemnity Company, Inc. \(CFSIC\)](#). Mr. Maglaras submitted written testimony in support of HB-6646. As the captive insurance company authorized to distribute the funds to impacted residents, CFSIC would be forced to begin winding down operations in September 2021 if legislation is not passed to extend or eliminate the current sunset date of June 30, 2022. CFSIC urges the committee to remove the sunset date so that they can continue their work, and to extend the Healthy Homes surcharge in a way that allows them to rapidly deploy larger financial resources to address the crisis as quickly as possible.

[Representative Geoff Luxenberg, 12th Dist.](#) As a member of the bipartisan Crumbling Foundations Caucus, Rep Luxenberg submitted written testimony stating that "Given the economic scope of this crisis, the survival of entire communities is dependent on the viability of this captive insurance company and the resources that it provides. Passing this legislation and securing the future of the CFSIC is a vital step in gaining the trust of residents in need." He also noted there is a need to directly support the homeowners by allowing them to obtain a reassessment of their building and that efforts must be made to prevent this problem from happening again by establishing safeguard mechanisms.

[Representative Jaime Foster, 57th Dist.](#) Rep. Foster submitted written testimony as the House Democratic Chair of the Crumbling Foundations Caucus and a representative of the towns of Ellington and East Windsor. She voiced strong support for eliminating the sunset date, the quarry study group, extending the reassessment period, the analysis by CFSIC of crumbling concrete in commercial properties, and the funding of CFSIC.

[Betsy Gara, Executive Director, Connecticut Council of Small Towns \(COST\)](#). Ms. Gara submitted testimony in support, including the concerns of many small towns that home values will continue to drop and homeowners will abandon their properties, having a deleterious impact on municipal tax revenues and public safety. She notes previous legislative efforts to address this crisis and states that this bill builds on those efforts.

[Lisa Thomas, Coventry Councilwoman](#). Ms. Thomas submitted testimony in support of HB-6646 as a critical step to support her constituents whose home property values are falling due to crumbling foundations. As she states, "This financial burden on our small towns already struggling to survive is unsustainable. Many homeowners are still waiting in the queue for funds to help them repair their homes. Some homeowners have not yet even determined that they have crumbling concrete. As such, it is critical that the legislature remove the termination date of the captive insurance company until all homeowners who need it have accessed it."

Multiple owners of homes with crumbling foundations provided written testimony in support of HB-6646. Many shared personal stories and advocated for: allowing homeowners to obtain a reassessment of their home that will remain valid until the foundation is repaired or replaced, which may exceed the current (5) year time limit; extending the life of the captive insurance company; and providing funds from the Connecticut Housing Finance Authority to the captive insurance company to settle claims.

- [Diane and James Bulick, Willington](#)
- [Lisa Burns](#)
- [Dan and Laurel Carmody](#)
- [Bruce and Tracy Craven, Enfield](#)
- [Jim and Evelyn Dahl, Manchester](#)
- [Edward Filteau, Vernon](#)
- [Ann Kennedy, Stafford Springs](#)
- [Shawn & Kim Kowalyshyn, Willington](#)
- [Debbie MacCoy, Vernon](#)
- [Nancy & Philip Martin, Ashford](#)
- [Laura Mirante, Coventry](#)
- [Gretchen Shea, Vernon](#)
- [Kristin Smith, Ashford](#)
- [Tom McGrath, Columbia](#)

Support with changes to section 3

[Don Shubert, CT Construction Industries Association](#). CCIA's written testimony supports the overall intent of the proposed legislation, but is concerned that Section 3 does not accurately reflect the recommendations of the Report of the Working Group, including allowing out-of-state producers to supply aggregates for concrete without providing the same protections recommended for all producers, and placing an unnecessary burden on quarry operators and unneeded additional costs on the construction industry as a whole without adding value. Suggested revisions were offered.

[Jim Perras, Homebuilders & Remodelers Association of CT](#). Mr. Perras submitted written testimony saying that while HBRA-CT understands the importance of making sure CFSIC continues and is well-capitalized, they concur with the concerns of the CCIA about Section 3, stating that the Working Group was intentional and deliberative in its recommendations.

NATURE AND SOURCES OF OPPOSITION:

[Nandini Natarajan, CEO-Executive Director, CT Housing Finance Authority](#). CHFA submitted written testimony questioning Section 5 of the bill, stating that " CHFA's issuance of a revenue bond to capitalize another entity, in the way this bill contemplates, would be an unprecedented approach for our organization" and may not be allowable under current law. Concerns were also stated about whether the bonds would qualify for tax-exempt status, meaning that their issuance would raise less money that could be used to assist impacted homeowners. CHFA recommends that the various relevant stakeholders be reconvened to find a solution.

Reported by: Erica Byrnes

Date: 4/20/2021