



# Senate

General Assembly

**File No. 496**

January Session, 2023

Substitute Senate Bill No. 985

*Senate, April 11, 2023*

The Committee on Planning and Development reported through SEN. RAHMAN of the 4th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## ***AN ACT INCENTIVIZING HOUSING PRODUCTION.***

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

1 Section 1. Section 8-169hh of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2023*):

3 For purposes of this section, [and] sections 8-169ii to 8-169ss,  
4 inclusive, and section 2 of this act:

5 (1) "As of right" has the same meaning as provided in section 8-1a;

6 [(1)] (2) "Authority" means the Connecticut Municipal  
7 Redevelopment Authority established in section 8-169ii;

8 [(2)] (3) "Authority development project" means a project occurring  
9 within the boundaries of a Connecticut Municipal Redevelopment  
10 Authority development district;

11 [(3)] (4) "Connecticut Municipal Redevelopment Authority

12 development district" or "development district" means the area  
13 determined by a memorandum of agreement between the authority and  
14 the chief executive officer of the member municipality, or the chief  
15 executive officers of the municipalities constituting a joint member  
16 entity, as applicable, where such development district is located,  
17 provided such area shall be considered a downtown or does not exceed  
18 a one-half-mile radius of a transit station;

19 [(4)] (5) "Designated tier III municipality" has the same meaning as  
20 provided in section 7-560;

21 [(5)] (6) "Designated tier IV municipality" has the same meaning as  
22 provided in section 7-560;

23 [(6)] (7) "Downtown" means a central business district or other  
24 commercial neighborhood area of a community that serves as a center  
25 of socioeconomic interaction in the community, characterized by a  
26 cohesive core of commercial and mixed-use buildings, often  
27 interspersed with civic, religious and residential buildings and public  
28 spaces, that are typically arranged along a main street and intersecting  
29 side streets and served by public infrastructure;

30 [(7)] (8) "Member municipality" means [(A)] any municipality [with a  
31 population of seventy thousand or more] that opts to join the  
32 Connecticut Municipal Redevelopment Authority in accordance with  
33 section 8-169*ll*, [, or (B) any designated tier III or tier IV municipality.]  
34 "Member municipality" does not include the city of Hartford or any  
35 municipality that is considered part of the capital region, as defined in  
36 section 32-600;

37 (9) "Middle housing" has the same meaning as provided in section 8-  
38 1a;

39 [(8)] (10) "Joint member entity" means two or more municipalities  
40 with a combined population of seventy thousand or more that together  
41 opt to join the Connecticut Municipal Redevelopment Authority in  
42 accordance with section 8-169*ll*, provided no such municipality is

43 considered part of the capital region, as defined in section 32-600;

44 [(9)] (11) "Project" means any or all of the following: (A) The design  
45 and construction of transit-oriented development, as defined in section  
46 13b-79kk; (B) the creation of housing units through rehabilitation or new  
47 construction; (C) the demolition or redevelopment of vacant buildings;  
48 and (D) development and redevelopment;

49 [(10) State-wide transportation investment program"] (12) "State-  
50 wide transportation investment program" means the planning  
51 document developed and updated at least every four years by the  
52 Department of Transportation in compliance with the requirements of  
53 23 USC 135, listing all transportation projects in the state expected to  
54 receive federal funding during the four-year period covered by the  
55 program; and

56 [(11)] (13) "Transit station" means any passenger railroad station or  
57 bus rapid transit station that is operational, or for which the Department  
58 of Transportation has initiated planning or that is included in the state-  
59 wide transportation investment program, that is or will be located  
60 within the boundaries of a member municipality or the municipalities  
61 constituting a joint member entity.

62 Sec. 2. (NEW) (*Effective July 1, 2023*) (a) As used in this section and  
63 section 3 of this act, "housing growth zone" means any area within a  
64 municipality in which applicable zoning regulations adopted pursuant  
65 to section 8-2 of the general statutes are designed to facilitate substantial  
66 development of new dwelling units consistent with subsection (c) of this  
67 section. Any housing growth zone shall encompass an entire  
68 development district and may include areas outside such district.

69 (b) Notwithstanding section 8-169jj of the general statutes, prior to  
70 the execution of any memorandum of agreement that establishes a  
71 development district, any chief executive officer of a member  
72 municipality, or the chief executive officers of the municipalities  
73 constituting a joint member entity, shall create a proposal for a housing  
74 growth zone and submit such proposal, including proposed zoning

75 regulations applicable to such zone, for the authority's review and  
76 approval.

77 (c) (1) Except as provided in subdivision (4) of this subsection, the  
78 authority shall approve any proposal submitted pursuant to subsection  
79 (b) of this section if the authority determines that the proposed zoning  
80 regulations applicable to the housing growth zone are likely to  
81 substantially increase the production of new dwelling units necessary  
82 to meet housing demand within the region.

83 (2) In making its determination pursuant to subdivision (1) of this  
84 subsection, the authority shall presume that any proposal that includes  
85 the following provisions is likely to substantially increase the  
86 production of new dwelling units: (A) The proposal permits middle  
87 housing as of right, and (B) the proposal requires only the approval of  
88 the zoning board of appeals for the issuance of any applicable permits  
89 for any application that would result in a net increase of dwelling units  
90 other than middle housing units, provided such zoning board of  
91 appeals, with respect to any application submitted pursuant to this  
92 section, shall (i) have the same power to issue any permit or approval as  
93 any other municipal body or official who would otherwise act with  
94 respect to such application, (ii) hold a single public hearing not later  
95 than thirty days after the receipt of any such application, (iii) by majority  
96 vote, determine whether to approve or deny such application not later  
97 than thirty days after such public hearing, and (iv) require no separate  
98 approval from any planning and zoning commission, sewer  
99 commission, water commission, municipal wetlands commission,  
100 municipal conservation commission or board or municipal historic  
101 preservation commission.

102 (3) In making its determination pursuant to subdivision (1) of this  
103 subsection whether a housing growth zone proposal is likely to  
104 substantially increase the production of new dwelling units, the  
105 authority shall consider whether the proposal (A) allows the  
106 development of new dwelling units without the requirement of any off-  
107 street parking spaces, (B) requires that ten per cent of units are

108 considered set-aside units, as such term is used in section 8-30g of the  
109 general statutes, for any application involving a net increase of ten or  
110 more dwelling units, and (C) generally promotes residential diversity.

111 (d) Notwithstanding chapter 130 of the general statutes, no member  
112 municipality, nor the municipalities constituting a joint member entity,  
113 shall submit an application or request for funds for any authority  
114 development project pursuant to section 8-169nn of the general statutes,  
115 nor shall any bonds, notes or other obligations of the authority be issued  
116 to carry out such project, pursuant to section 8-169oo of the general  
117 statutes, until the member municipality, or the municipalities  
118 constituting a joint member entity, enacts all of the zoning regulations  
119 proposed in the housing zone growth proposal approved by the  
120 authority.

121 Sec. 3. (NEW) (*Effective October 1, 2023*) (a) (1) Not later than March  
122 31, 2024, and annually thereafter, each municipality shall report to the  
123 Department of Economic and Community Development, for the  
124 previous calendar year, (A) the number of new dwelling units permitted  
125 in such municipality, including specifying how many new dwelling  
126 units are located within single family, two-to-four family and more than  
127 four family homes; and (B) the number of dwelling units demolished in  
128 such municipality.

129 (2) Not later than December 31, 2023, each municipality shall report  
130 the information specified in subsection (a) of this section for each  
131 calendar year from 2018 to 2022, inclusive.

132 (b) On and after April 1, 2024, the Commissioner of Economic and  
133 Community Development shall send a notice to any municipality that  
134 fails to comply with the requirements of subsection (a) of this section. If  
135 any municipality fails to comply with the requirements of subsection (a)  
136 of this section more than sixty days after the issuance of such letter by  
137 the commissioner, the commissioner shall deem such municipality  
138 ineligible for discretionary state funding from the Department of  
139 Economic and Community Development for a period lasting until the  
140 subsequent reporting deadline required by this section unless such

141 prohibition is expressly waived by the commissioner upon the  
142 commissioner's finding of good cause for such failure to comply.

143 (c) The Department of Economic and Community Development shall  
144 collect the reports as provided in subsection (a) of this section and  
145 publish such reports on the department's Internet web site.

146 Sec. 4. (NEW) (*Effective October 1, 2023*) The Secretary of the Office of  
147 Policy and Management, in consultation with the Commissioner of  
148 Administrative Services and the Commissioner of Transportation, shall  
149 conduct a study of any real property owned by the state, excluding any  
150 real property reserved for conservation by the state, to identify  
151 properties surplus to state needs and suitable for development for  
152 housing to improve housing opportunities for residents in the state,  
153 with a particular focus on any property suitable for transit-oriented  
154 development and affordable housing. Not later than January 1, 2024, the  
155 secretary shall submit a report, in accordance with the provisions of  
156 section 11-4a of the general statutes, to the Governor and to the joint  
157 standing committees of the General Assembly having cognizance of  
158 matters relating to housing and planning and development containing  
159 the findings of such study.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2023</i>	8-169hh
Sec. 2	<i>July 1, 2023</i>	New section
Sec. 3	<i>October 1, 2023</i>	New section
Sec. 4	<i>October 1, 2023</i>	New section

**PD**      *Joint Favorable Subst.*

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 24 \$	FY 25 \$
Treasurer, Debt Serv.	GF - Savings	Potential	Potential

Note: GF=General Fund

**Municipal Impact:**

Municipalities	Effect	FY 24 \$	FY 25 \$
All Municipalities	See Below	See Below	See Below
Various Municipalities	Revenue Gain	Potential	Potential

**Explanation**

The bill changes requirements for municipalities that work with the Municipal Redevelopment Authority (MRDA) and implements mandatory reporting. This precludes a revenue gain and results in a potential revenue gain for municipalities beginning in FY 24. There are also potential impacts to debt service.

**Sections 1 and 2** eliminate mandatory MRDA membership for fiscally distressed municipalities and expand eligibility for certain other municipalities to collaborate with the MRDA. This results in a potential revenue gain beginning in FY 24 for municipalities that choose to collaborate with the MRDA.

Municipalities that opt to collaborate with the MRDA must adopt a housing growth zone that meets the requirements set by the MRDA. Municipalities that meet these requirements and are approved by the MRDA will be eligible to receive financial assistance, which results in a

potential revenue gain beginning in FY 24.

**Section 3** requires all municipalities to report certain changes in housing to the Department of Economic and Community Development (DECD). Failure to submit this information will make the municipality ineligible for discretionary state funding from DECD. This precludes a revenue gain for municipalities beginning in FY 24.

Section 3 has no state fiscal impact by requiring the DECD to collect and report municipal housing data. This provision can be accommodated with existing staff and resources.

Section 3 could result in a decreased or slower use of previously authorized bond funds for various bond-funded competitive grants programs. Future debt service costs may be incurred later or to a lesser extent under the section to the degree that it causes authorized bond funds to not be expended or to be expended more slowly than they otherwise would have been. To the extent municipalities are ineligible for competitive grants because of the provisions of the bill, the ineligible municipalities would potentially receive less revenue from the state than they otherwise would. If competitive awards are shifted from ineligible municipalities to eligible municipalities, the eligible municipalities would potentially receive more revenue from the state than they otherwise would.

**Section 4** requires the Office of Policy and Management to study real property owned by the state and submit a report by January 1, 2024. This results in no fiscal impact as this can be accommodated with existing staff and resources.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and which municipalities choose to collaborate with the MRDA.



**OLR Bill Analysis****sSB 985*****AN ACT INCENTIVIZING HOUSING PRODUCTION.*****SUMMARY**

This bill changes requirements for municipalities that work with the Connecticut Municipal Redevelopment Authority (MRDA) by (1) making collaboration with MRDA optional and (2) requiring those that work with MRDA to adopt zoning regulations that facilitate housing development in “development districts,” which under existing law are areas encompassing transit stations or downtowns.

In 2019, the legislature created MRDA as a quasi-public agency authorized to stimulate economic development and transit-oriented development in development districts by, among other things, developing property and managing facilities (see BACKGROUND). Currently, fiscally distressed municipalities must collaborate with MRDA as “member municipalities” to create a development district. The bill eliminates the provision in current law creating mandatory member municipalities and limiting membership to larger municipalities. In doing so, the bill allows any municipality outside the Capital Region Development Authority’s (CRDA) jurisdiction to become a member.

The bill requires municipalities that opt to collaborate with MRDA to adopt a “housing growth zone” (HGZ) before moving forward with a development district’s creation. A HGZ is the area of a development district (or a larger area) in which local zoning regulations facilitate substantial new housing development. MRDA is responsible for approving proposed HGZ regulations and the bill specifies factors that must be considered. Municipalities cannot receive financial assistance from MRDA for a development district project until they enact the approved HGZ regulations.

The bill also requires every municipality to report to the Department of Economic and Community Development (DECD) on the number of (1) new dwellings permitted that calendar year, including whether they are in single family, two-to-four family, or larger multifamily properties, and (2) dwelling units demolished. The first report, covering 2018-2022, is due December 31, 2023, with annual reports subsequently due by March 31 each year, beginning in 2024. DECD must publish the reports on its website. (In practice, DECD already collects and publishes similar data.)

If a municipality misses an annual filing deadline, DECD must notify it in writing that it has 60 days to submit the required information or it will be deemed ineligible for discretionary state funding that DECD administers until the next filing deadline. The DECD commissioner may waive this penalty if she finds good cause for failing to file.

Lastly, the bill requires the Office of Policy and Management (OPM) secretary, in consultation with the administrative services and transportation commissioners, to study whether any state-owned real property (excluding conserved lands) is available and suitable for developing as housing. The study must focus on property that is suited to transit-oriented and affordable housing development. The OPM secretary must report on the study to the governor and Housing and Planning and Development committees by January 1, 2024.

EFFECTIVE DATE: October 1, 2023, except the MRDA provisions (§§ 1-2) are effective July 1, 2023.

### **MEMBER MUNICIPALITIES**

The bill eliminates current law's requirement that certain municipalities be deemed member municipalities and work with MRDA to create a development district. Specifically, the bill eliminates the requirement that municipalities classified by OPM as a designated Tier III or IV municipality (i.e., fiscally distressed municipalities subject to the Municipal Accountability Review Board's oversight) automatically be deemed member municipalities.

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Currently, optional membership is limited to the following municipalities outside CRDA's jurisdiction:

1. municipalities with a population of at least 70,000 (as of the last decennial census), if their legislative bodies opt to become members, and
2. two or more municipalities with a combined population of at least 70,000 (as of the last decennial census), if their legislative bodies opt to jointly become members ("joint members").

The bill eliminates the population threshold for single-municipality membership, but retains it for joint members.

As under existing law, municipalities in the CRDA "capital region" are not eligible to become member municipalities (i.e., Bloomfield, East Hartford, Hartford, Newington, South Windsor, Wethersfield, West Hartford, and Windsor).

### **SUBMISSION OF PROPOSED HGZ**

By law, member municipalities must enter into a memorandum of agreement (MOA) with MRDA to establish and delineate at least one development district near a central business district (downtown) or passenger transit station (railroad or bus rapid transit station). Under current law, before entering into an MOA to establish a development district, MRDA must review and approve the member's economic development master plan. The bill additionally requires the member's chief executive officer (or a joint member's chief executive officers) to make a HGZ proposal, including proposed zoning regulations, and submit it for MRDA's approval. The member municipality must also enact the approved HGZ regulations before MRDA can give it financial assistance for development projects.

The HGZ must encompass the development district but may extend beyond it. (The bill requires members to submit the HGZ proposal to MRDA before it enters into an MOA delineating the development district's boundaries. Presumably, the HGZ proposal and draft

regulations must state that they apply to any development district boundaries later delineated.) The HGZ must be designed to facilitate substantial development of new dwelling units.

(The bill specifies that HGZs are areas designated in local zoning regulations adopted by municipalities exercising zoning powers under the Zoning Enabling Act (CGS § 8-2). It is unclear if the bill's HGZ requirements apply to municipalities that zone under authority granted by a special act.)

### ***MRDA's Review of HGZ Proposal***

Under the bill, MRDA must approve a HGZ proposal if it determines the proposal will likely substantially increase the production of dwellings that meet regional housing demand. MRDA must consider several factors when reviewing HGZ proposals to determine if they will increase housing stock, including whether proposals:

1. allow new dwelling units to be developed without correspondingly requiring new off-street parking spaces;
2. generally promote residential diversity; and
3. for applications that will create a net increase of at least 10 dwelling units, require 10% of new units to be considered set-aside units under CGS § 8-30g.

(Presumably, the last criterion, by referring to the CGS § 8-30g appeals procedure, incorporates that law's affordability and deed restriction requirements for units in set-aside developments (see BACKGROUND).)

If a proposal includes the following components, MRDA must presume it will substantially increase dwelling unit production:

1. permits middle housing (i.e., duplexes, triplexes, quadplexes, cottage clusters and townhouses) as of right (i.e., subject only to an administrative review) and

2. requires only the zoning board of appeals' (ZBA) approval for applicable permits to engage in an activity creating a net increase in dwelling units other than middle housing units.

The bill further requires that for the latter criterion on the ZBA's all-encompassing approval authority, the ZBA must:

1. have the same power to issue a permit or approval as any other municipal body or official that would otherwise act on the application;
2. hold one public hearing within 30 days after receiving an application;
3. decide whether to approve or deny the application, by majority vote, within 30 days after the hearing; and
4. be able to act without getting separate approval from the local planning and zoning commission, sewer commission, water commission, municipal wetlands commission, municipal conservation commission or board, or municipal historic preservation commission (but the extent to which a ZBA can act on behalf of these entities' is unclear, as the bill does not make conforming changes to the statutes on these entities duties).

## **BACKGROUND**

### ***CGS § 8-30g Set-Aside Developments***

Under the affordable housing land use appeals procedure law, a "set-aside development" is one in which at least 30% of the units are deed restricted for at least 40 years after initial occupancy. Specifically, at least:

1. 15% of the units must be deed restricted to households earning 60% or less of the area median income (AMI) or state median income (SMI), whichever is less, and
2. 15% of the units must be deed restricted to households earning 80% or less of the AMI or SMI, whichever is less.

### **MRDA's Role in Development Districts**

By law, member municipalities must enter into a MOA with MRDA to establish at least one development district near existing infrastructure. MRDA can engage in development and redevelopment activities, including designing and constructing transit-oriented development; rehabilitating structures to create housing; and demolishing vacant buildings (“development projects”). To do so, it can acquire, finance, operate, and market facilities, as well as borrow money and issue bonds. MRDA must coordinate all state, municipal, and quasi-public agency planning and financial resources that are allocated for a development district project in which it is involved (CGS §§ 8-169hh to 8-169ss).

### **Related Bills**

sSB 1227, reported favorably by the Government Administration and Elections Committee, (1) limits MRDA's bonding authority, generally aligning it with other quasi-public agencies, and (2) allows MRDA to establish one or more special capital reserve funds in connection with its bonds.

sHB 6781, reported favorably by the Housing Committee, awards municipalities points toward a moratorium from the CGS § 8-30g affordable housing appeals procedure for certain middle housing units located within ¼ mile of a transit district (§§ 26 & 27).

sHB 6890, reported favorably by the Planning and Development Committee, creates a framework in which a municipality's priority for certain discretionary state funding is tied to its adoption of zoning regulations creating a transit-oriented district in which greater housing density is allowed.

### **COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 12 Nay 9 (03/24/2023)