OFFICE OF FISCAL ANALYSIS
Legislative Office Building, Room 5200
Hartford, CT 06106 ◇ (860) 240-0200
http://www.cga.ct.gov/ofa

sHB-6781
AN ACT ADDRESSING HOUSING AFFORDABILITY FOR RESIDENTS IN THE STATE.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 $	FY 25 $
Department of Housing	GF - Cost	Approx. 43.8 million	Approx. 43.8 million
Department of Housing	GF - Potential Cost	See Below	See Below
Department of Revenue Services	GF - Revenue Gain	Potential	Potential
Department of Revenue Services	GF - Revenue Loss	Potential	Potential
Policy & Mgmt., Off.	GF - Cost	5,333,700	5,083,980
Judicial Dept.	GF - Cost	361,880	See Below
Human Rights & Opportunities, Com.	GF - Cost	219,388	219,388
State Comptroller - Fringe Benefits[1]	GF - Cost	345,831	At least 214,471
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Department of Housing	Housing Trust Fund - Revenue Gain	107.7 million	107 million
Department of Revenue Services	GF - Revenue Loss	107.7 million	107 million
Department of Revenue Services	GF - Cost	100,000	None

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 24 $	FY 25 $
Various Municipalities	Cost	Potential	Potential

[1]The 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 42.82% of payroll in FY 24.

Primary Analyst: MP
Contributing Analyst(s): LG, EMG, BP, MR, CW
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Various Municipalities	Revenue Gain	Potential	Potential

Explanation

The bill makes various changes related housing. Some key provisions include (1) establishing a new Office of Responsible Growth within the Office of Policy and Management (OPM), (2) making changes related to the real estate conveyance tax, (3) authorizing $75 million in general obligation bonds for the Department of Housing (DOH), and (4) making appropriations to DOH and OPM totaling $125.25 million in FY 24 and $125 million in FY 25 for housing-related purposes.

The bill's provisions resulting in a fiscal impact to the state or municipalities are described by section below.

Section 1 prescribes civil penalties of up to $2,000 per violation of municipal ordinances relating to safe and sanitary housing. This results in a potential revenue gain to municipalities beginning in FY 24, to the extent that these penalties occur.

Section 5 requires the Department of Housing (DOH) to create a notice of certain tenants' rights and to provide it in languages other than English, as determined by DOH, on the agency's website. To the extent that additional language versions are provided, there is a cost to DOH of approximately $500 per language for translation services.

Section 7 results in a potential cost of $50,000 for DOH to modify regulations concerning information provided to new tenants by housing authorities, as the agency may require consultant assistance to do so.

Sections 10-22 make it a discriminatory practice to refuse to rent to a person for certain reasons and allow the person to file a complaint with the Commission on Human Rights and Opportunities (CHRO). This results in costs to CHRO of $219,388, plus fringe benefits of $93,942, in each of FY 24 and FY 25, for four new Human Rights Opportunity (HRO) Trainees (at a starting salary of $54,847 each) to handle the additional complaints anticipated to be filed with CHRO under the bill.

Prior to the COVID-19 pandemic eviction moratorium, there were approximately 20,000 evictions a year. Assuming 1% of those evictions result in an individual filing a complaint with CHRO, the agency would need to handle an additional 200 complaints filed annually. An HRO Trainee can typically handle approximately 50 complaints per year, resulting in the costs for four additional HRO Trainees mentioned above.

Section 23 establishes an Office of Responsible Growth within the Intergovernmental Policy Division of the Office of Policy and Management (OPM) and assigns various responsibilities to the office. This results in a total cost of approximately $369,000 in FY 24 and $120,000 in FY 25. This estimate includes costs of: (1) $81,610 in FY 24 and $83,650 in FY 25 to OPM for the salary of a new Planning Analyst, (2) associated fringe benefits of $34,950 in FY 24 and $35,820 in FY 25 within the Office of the State Comptroller, (3) training and supplies to OPM of $2,090 in FY 24 and $330 in FY 25, and (4) a one-time cost of $250,000 in FY 24 for a consultant to develop model codes. Section 42 appropriates $250,000 in FY 24 to fund the consultant.

Section 24 replaces the current municipal affordable housing planning requirement with requirements to: 1) adopt a plan to affirmatively further fair housing (AFFH), and 2) submit the AFFH plan to OPM. This results in a potential cost to municipalities beginning in FY 24 to develop the AFFH plan.

Section 24 also requires that municipalities that are not compliant with this section repurpose any economic development funds allocated to them through the Small Town Economic Assistance Program (STEAP) or Urban Action program towards affordable housing programs. It is unclear how this provision would be implemented with regards to prior awards that have already been spent, those that have been contractually bound through agreements between the municipalities and the state, or the requirements of the State Bond Commission when allocating such funds. To the extent this provision is allowable, the requirement would be cost neutral to the state and municipalities until or unless additional funds are allocated for the original projects that were awarded funds that were otherwise diverted for affordable housing purposes.

Section 28 results in a potential cost to DOH associated with developing a common application for households seeking benefits under affordable housing programs, to the extent such an application could be applicable to federal programs regulated by the United States Department of Housing and Urban Development. Costs to develop the common application may include consultant fees and/or technological infrastructure for such common application to be accessed electronically. DOH already uses a common application for RAP and federal Housing Choice Voucher (HCV) subsidies under the state's control. To the extent an electronic platform is used, there may be costs in FY 25 and annually thereafter to maintain it.

Section 31 requires DOH to affirmatively seek to expend all funds appropriated for the Rental Assistance Program (RAP) on an annual basis. To the extent that this section encourages DOH to release more RAP vouchers than would otherwise be provided, annual expenditures for RAP could increase.[2] Because RAP only expends funds when voucher recipients are renting a unit, funds designated for new voucher recipients are often unspent for several months while recipients find eligible units. For reference, the average monthly state cost for a RAP voucher was $919, and the program supported about 6,430 units in early FY 23.

The bill also appropriates $83 million for the program in FY 24 and FY 25, a $9,815,572 increase over FY 23 designated funding in DOH. Because the new funding can presumably be used to support new RAP vouchers for the general, very low-income population (as opposed to vouchers for other state agency's clients, which have frequently lapsed funding), the bill will increase state costs for RAP in FY 24 and FY 25,

[2] State expenditures on RAP vouchers and associated administration were under the budgeted amount by $5,285,033 in FY 22 and $6,512,900 in FY 23.

and annually thereafter, by up to the amount of new funding.[3]

Due to inherent variability in the cost of individual RAP certificates over time, if DOH issues more vouchers than there is guaranteed annual funding to support (by counting on reduced utilization for several months while recipients search for units), program costs would likely exceed the budgeted appropriation in some years.[4]

Sections 32 & 44 require DOH to establish a landlord relief pilot program to provide financial assistance to qualifying landlords for eligible expenses incurred by renting to, or seeking to rent to, recipients of state rental assistance or the federal Housing Choice Voucher program. The bill caps the assistance at the lesser of $5,000 per tenancy or $10,000 per dwelling unit and provides $5 million in each year to fund the pilot program. The pilot runs from December 1, 2023, to December 31, 2026.

These sections result in a cost to DOH of up to $5 million in both FY 24 and FY 25 for (1) financial assistance to eligible landlords, (2) approximately three durational staff to administer the program (with annualized salaries totaling $193,000 in FY 24), (3) costs for third-party inspection companies to complete the additional unit inspections required by the bill at a cost of approximately $250 each, and (4) any consultant costs needed to complete the annual reporting requirements.

It is anticipated DOH will need to hire three durational staff to administer the program, which will also result in fringe benefit costs to the state comptroller of approximately $61,982 in FY 24 and $84,709 in FY 25 associated with a data entry operator, a housing specialist, and an accountant. FY 24 reflects the assumption that the staff would begin on October 1, 2023, to prepare to receive applications on December 1, 2023.

[3] There is a long waitlist (more than 3,000 households) for general RAP vouchers.

[4] Once a voucher is issued, that household receives the rental subsidy indefinitely until they no long qualify or otherwise leave the program; however, costs to the state for their support will vary over time based on changes in rent, family size and household income.

Section 33 establishes a process for the erasure of certain housing related manners and decisions from the Judicial Department's website. Given the short turnaround (erasure must be complete by January 1, 2024), this results in a cost for up to eight temporary positions at an estimated cost of $361,880 to identify, test, and process erasure of records.

The bill would require ongoing work that could potentially require additional permanent staff in future fiscal years.

Section 34 increases the real estate conveyance tax rates on conveyances of residential dwellings where the buyer is a business entity other than a sole proprietorship, limited liability company, or limited liability partnership, resulting in a potential General Fund revenue gain annually beginning in FY 24. The magnitude of the revenue gain is dependent on: (1) the number of such conveyances, and (2) the value of the property conveyed.[5]

Sections 34 & 36 transfer revenue in excess of $180 million (adjusted for inflation beginning in FY 25) from the real estate conveyance tax to the Housing Trust Fund (HTF), resulting in: (1) a General Fund revenue loss of approximately $107 million annually, and (2) a commensurate revenue gain to the HTF beginning in FY 24.

This could also result in decreased or slower use of previously-authorized bond funds for the HTF. Future General Fund debt service costs may be incurred later or to a lesser extent under this section to the degree that it causes authorized General Obligation (GO) bond funds to not be expended or to be expended more slowly than they otherwise would have been.

As of March 1, 2023, there is an unallocated bond balance of approximately $63.9 million for the Housing Trust Fund. These sections do not change GO bond authorizations, though additional bonds are

[5] According to a *Stateline* analysis of data provided by CoreLogic, investors were responsible for 14% of Connecticut home sales in 2021. It is unclear how many of these conveyances would be subject to the increased tax rates under the bill.

authorized in **Section 37**.

Section 35 exempts from the real estate conveyance tax any deeds of property with dwelling units where all of the units are deed-restricted as affordable housing, resulting in a potential General Fund revenue loss annually beginning in FY 24. The magnitude of the revenue loss is dependent on: (1) the number of such conveyances, and (2) the value of the property conveyed.[6]

Sections 34 & 35 also result a in a one-time cost of $100,000 to the Department of Revenue Services in FY 24 only associated with programming updates to the CTax tax administration system and myconneCT online portal, and form modification.

Section 37 authorizes $75 million in GO bonds in order to provide grants for specified construction and renovation costs. To the extent bonds are fully allocated and expended, total debt service is expected to be approximately $116 million over the 20-year duration of the bonds.

Sections 38-45 result in General Fund appropriations (in millions of dollars) in FY 24 and FY 25 as listed below.

Sec. #	**FY 24 $**	**FY 25 $**	**Purpose**
38	20.0	20.0	DOH: Increase funding for Coordinated Access Networks
39	83.00	83.0	DOH: Increase funding for Rental Assistance Programs (related to Sec. 31)
40	2.0	2.0	DOH: Increase funding for 2-1-1 (i.e., the entry to the homelessness response system)
41	5.0	5.0	DOH: Increase funding for homelessness diversion and flexible housing programs
42	0.25	None	OPM: Funding to hire consultant to develop municipal model codes
43	5.0	5.0	OPM: Grants to regional council of governments for regional housing inspection programs
44	5.0	5.0	Funding DOH landlord relief pilot program in Sec. 32

[6] According to the Department of Housing, there were 5,477 deed-restricted affordable housing units in the state in 2022.

45	5.0	5.0	DOH: New funding for assisting housing subsidy recipients to find eligible housing units

The bill also makes various other changes that are technical or conforming in nature, do not apply to the state or municipalities, or can be accomplished with current agency expertise, and therefore have no fiscal impact.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number and value of affected conveyances and the terms of any bonds issued and changes in state employee salary and fringe benefit costs.

Sources: *Department of Housing 2022 Affordable Housing Appeals List*
Stateline, July 22, 2022 "Investors Bought a Quarter of Homes Sold Last Year, Driving Up Rents"