OFFICE OF FISCAL ANALYSIS

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sSB-4
AN ACT CONCERNING CONNECTICUT'S PRESENT AND FUTURE HOUSING NEEDS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 $	FY 25 $
Department of Energy and Environmental Protection	GF - Cost	600 million	None
Department of Housing	GF - Cost	423,500 to 528,500	403,175 to 503,175
State Comptroller - Fringe Benefits[1]	GF - Cost	52,883	108,410
Policy & Mgmt., Off.	GF - Cost	None	See Below
Department of Revenue Services	GF - Cost	None	Up to 75,000
Department of Revenue Services	GF - Revenue Loss	None	None
CHFA	Resources of CHFA - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 24 $	FY 25 $
Various Municipalities	Potential Cost	Less than $5,000	Less than $5,000
Various Municipalities	Revenue Loss	Potential	Potential
Various Municipalities	Precludes Grand List Growth	None	See Below

[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.

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Various Municipalities	Precludes Revenue Gain	None	See Below

Explanation

The bill establishes several new housing-related programs and pilot programs, some of which include (1) providing $600 million in FY 24 for a pilot program to make grants for certain multifamily retrofitting projects, (2) establishing a new $5 million workforce housing opportunity development tax credit program, and (3) establishing a homeless and veteran temporary housing respite pilot program. The bill contains various other provisions that do not have a fiscal impact.

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

Section 7 results in a minimal one-time cost of less than $5,000 to the Department of Housing (DOH) in FY 24 only to translate into Spanish the standardized rental agreement forms the agency must develop.

Section 8 results in a potential minimal cost of less than $5,000 to municipalities in FY 24 and FY 25 to provide housing code violation complaint forms in English and Spanish.

Section 9 establishes a new $5 million tax credit program, to be administered by DOH, to subsidize the creation or rehabilitation of workforce housing opportunity development projects, located in federally designated opportunity zones. As DOH does not currently administer a tax credit program or have capacity within existing staff, this section results in program administration costs to the General Fund of $226,383 in FY 24 and of $361,585 in FY 25, and annually thereafter, associated with three new staff. The FY 24 cost includes $50,000 for consultants to assist DOH in adopting regulations as required by the bill.

It is anticipated that DOH would need to hire, by January 1, 2024, (i.e., half year personnel costs in FY 24): (1) a housing and community development manager (salary and fringe benefits of $71,410 in FY 24 and $146,391 in FY 25), an accountant (salary and fringe benefits of $53,558 in FY 24 and $109,793 in FY 25), and a housing specialist (salary and fringe benefits of $51,415 in FY 24 and $105,401 in FY 25) to operate the program.

Section 9 also results in a one-time cost of up to $75,000 to the Department of Revenue Services in FY 25 only associated with programming updates to the CTax tax administration system and myconneCT online portal, and form modification.

Section 11 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 12 results in a revenue loss to municipalities as it exempts 1) certain workforce housing opportunity development projects, and 2) workforce housing development projects from building permit application fees.

Sections 10, 13-14 preclude an increase in grand list growth in certain municipalities by establishing incentives for workforce housing development projects that reduce their potential property tax liability. The bill: 1) requires certain projects to be assessed below market value, and 2) allows municipalities to partially exempt such projects from property taxes for seven assessment years following project completion. The impact will be dependent on the value of such projects.

The bill requires the Office of Policy and Management to reimburse municipalities for 70% of the revenue loss they experience if they choose to partially exempt workforce housing developments beginning in FY 26. If the total to be reimbursed to municipalities exceeds the appropriation, then the reimbursements will be reduced proportionately. This partially offsets any revenue loss municipalities experience as a result of the bill.

Section 15 requires CHFA to create a new mortgage assistance program for certain developers, which will result in additional staffing costs for the quasi-public agency. Such programs are anticipated to be funded within 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 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 CHFA from additional use of taxable bonds would be passed on to assistance recipients.

Other mortgage assistance programs administered by 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 CHFA do not appear applicable to the newly created program, so no change in the General Fund debt service is anticipated from the bill.

Section 16 requires DOH to (1) conduct a study on ways to both increase housing for apprentices and new employees and enable them to live in the municipalities where they work, and (2) to report on it by January 1, 2024. Given the limited research staff at DOH, their other job duties, and the time allowed, this results in a one-time cost of up to $100,000 in FY 24 to contract with a third party to complete the study and report.

Sections 17 and 20 appropriate $600 million in FY 24 to fund grants through the Department of Energy and Environmental Protection to support retrofitting projects for multifamily homes concentrating primarily on distressed and environmental justice communities. The bill requires that the appropriation be spent equally each fiscal year between FY 24 and FY 29 ($100 million annually).

Section 18 requires DOH to establish a temporary housing respite pilot program for the homeless and veterans recovering from injury or illness that provides at least 20 housing units across three cities. Assuming the program (1) utilizes existing private housing units (i.e., studios) with wrap-around services or temporary housing facilities and (2) runs from January 1, 2024, to January 1, 2025, the one-time cost to DOH of $300,000 to $500,000 is estimated to be spread equally across FY 24 and FY 25.

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

In addition to out years impacts described above, **Section 9** 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 26.[2]

Otherwise, the annualized ongoing fiscal impact identified above would continue into the future subject to inflation and state employee wage and fringe benefit costs.

Sources: Department of Revenue Services Annual Report Fiscal Year 2021-2022

[2] Tax credit vouchers may be claimed against state corporation business and personal income taxes for taxable income years beginning in 2025; it is anticipated that the timing of the claiming of credits would limit the revenue impact to FY 26 and beyond. The bill caps the total amount of credits allowed per fiscal year at $5 million.