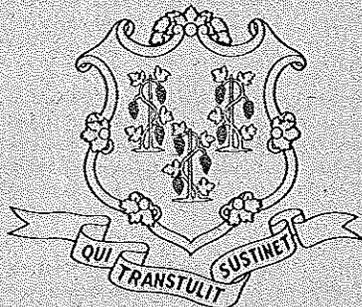


Department of Housing

Connecticut
General Assembly



LEGISLATIVE
PROGRAM REVIEW
AND
INVESTIGATIONS
COMMITTEE

SUNSET 1983

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CONNECTICUT GENERAL ASSEMBLY

LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

The Legislative Program Review and Investigations Committee is a joint, bipartisan, statutory committee of the Connecticut General Assembly. It was established in 1972 as the Legislative Program Review Committee to evaluate the efficiency and effectiveness of selected state programs and to recommend improvements where indicated. In 1975 the General Assembly expanded the Committee's function to include investigations and changed its name to the Legislative Program Review and Investigations Committee. During the 1977 session, the Committee's mandate was again expanded by the Executive Reorganization Act to include "Sunset" performance reviews of nearly 100 agencies, boards, and commissions, commencing on January 1, 1979.

The Committee is composed of twelve members, three each appointed by the Senate President Pro Tempore and Minority Leader, and the Speaker of the House and Minority Leader.

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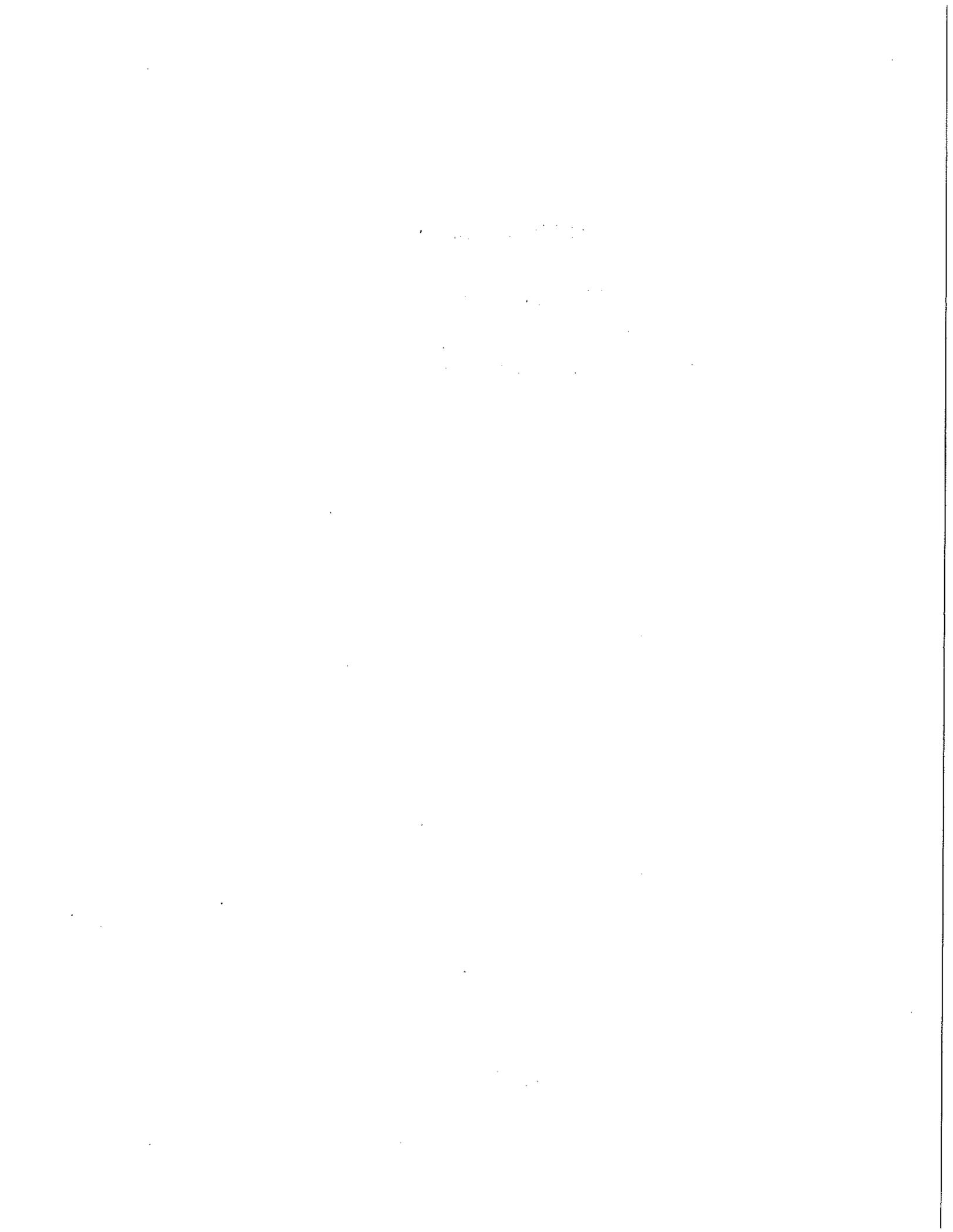
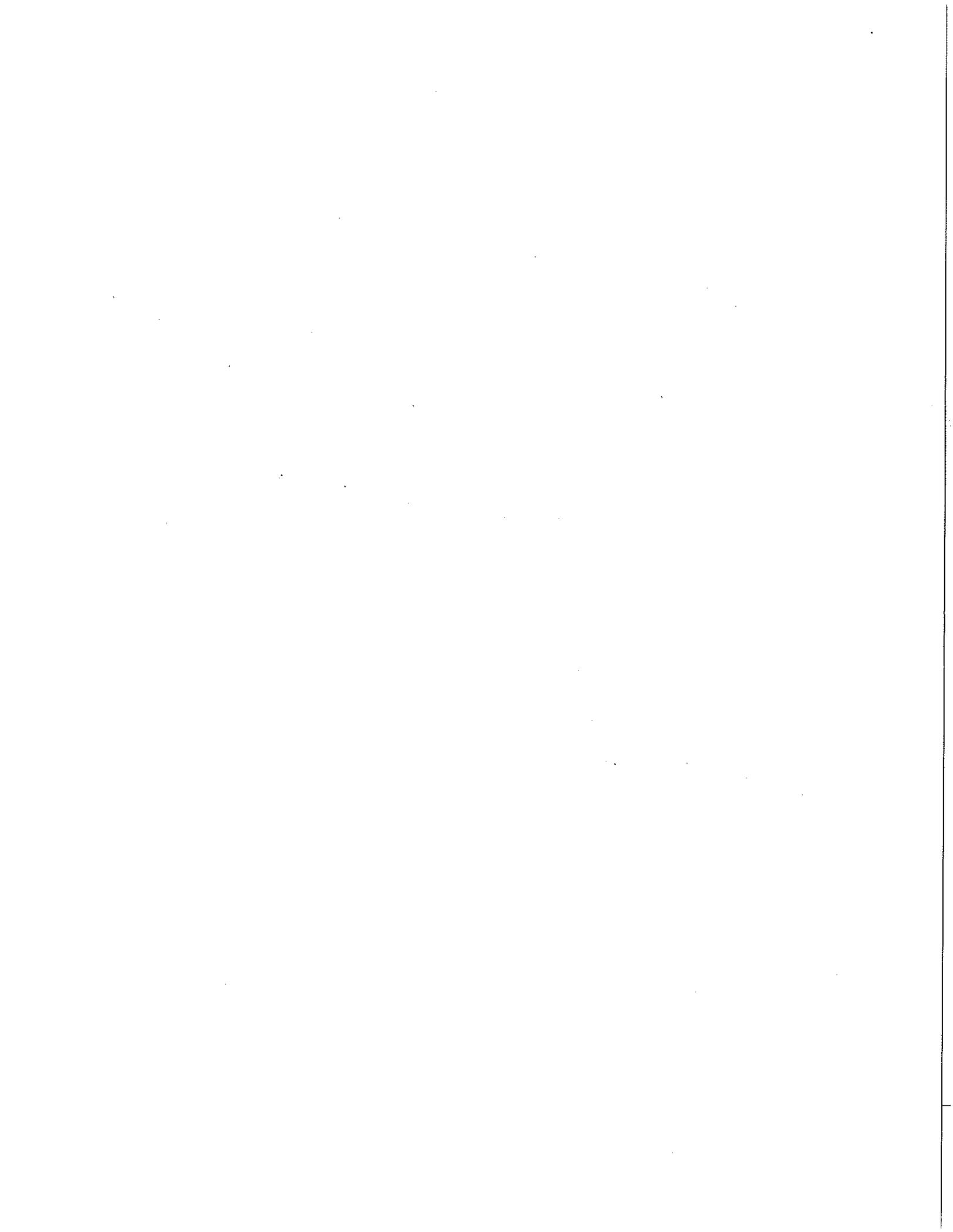


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DEPARTMENT OF HOUSING

SUMMARY

The Department of Housing was formed in 1979 (P.A. 598) and assumed all the state's housing-related powers, duties and functions. Prior to 1979, state housing activities had been administered by a variety of different state agencies including the Department of Public Works (from 1950 through 1967), the Department of Community Affairs (from 1967 to January 1979) and most recently, the Department of Economic Development (from January to October 1979).

The department is mandated to coordinate and direct at the state level all aspects of policy, development, redevelopment, preservation, maintenance and improvement of housing and neighborhoods. The Department of Housing is responsible for a wide variety and large number of activities and programs, although most can be grouped according to its two major roles: creating and preserving housing opportunities; and monitoring, planning, researching and performing technical assistance functions concerning housing matters.

The programs operated by the department include state construction and rehabilitation loans and grants, supplemental funding to support housing production efforts and federal rent subsidy payments. In mid-1982, the Department of Housing was engaged in 80 separate production and support projects involving over \$62 million of state funding that will create almost 4,000 low-and moderate-income housing units. In addition, the state housing agency was administering federal rent subsidies totaling more than \$2.9 million annually for about 1,100 Connecticut households.

Technical assistance for construction, maintenance and project design as well as auditing and accounting consulting services are provided by department staff to the various recipients of state housing development funds. At the time of the sunset review, the Department of Housing was also monitoring the budgets and management plans of 120 local housing authorities and 30 private developers that operate state-sponsored housing projects.

As of July 1, 1982, the department had 141 filled staff positions; 9 employees were assigned to the commissioner's office, 92 were assigned to the agency's Housing Bureau and 40

were assigned to the Administration and Review Bureau. The operating budget of the Department of Housing totaled \$17,776,148 for FY 1982-83, which included over \$8 million in federal funding. The primary funding source for the department's programs is the agency's capital budget. For the current fiscal year, the legislature authorized \$30.5 million for housing-related capital projects administered by the Department of Housing.

Analysis and Recommendations

All available data collected or reviewed by the committee substantiated claims of a "housing crisis" in Connecticut, particularly for low- and moderate-income persons. The review also produced evidence that the private sector is unable to produce affordable housing units without public subsidy.

In the program review committee's opinion, the fact that Connecticut is in the midst of a housing crisis combined with the fact that the private sector is unable to meet the growing need for adequate, affordable housing justifies continuation of the state's role in funding housing development projects. *Therefore, the Legislative Program Review and Investigations Committee recommends continuation of the current state role in providing financial assistance for the creation and preservation of housing opportunities.*

The program review committee believes that to maintain adequate oversight of state-assisted housing projects a continued state financial monitoring role is critical. Furthermore, with several funding sources for a single housing project becoming more common and housing issues becoming more complex, there is a growing need to coordinate resources, provide technical assistance and establish funding priorities at the state level. *Therefore, the Legislative Program Review and Investigations Committee recommends that the state's role in monitoring state-assisted housing projects, providing technical assistance, conducting statewide housing research and planning, and state housing authority activities be continued.*

The Legislative Program Review and Investigations Committee believes that the reasons that led to the establishment of the Department of Housing including its legislative mandate to coordinate and direct at the state level all aspects of policy, development, redevelopment, preservation, maintenance and improvement of housing and neighborhoods are valid arguments for its continuation as a separate agency. The committee concluded that the benefits of eliminating the housing department and transferring its functions and staff to another agency would be minor and outweighed by the adverse impact a fourth restructuring of state housing functions in less than six years could have on clients

and constituency groups. *Therefore, the Legislative Program Review and Investigations Committee recommends that the Department of Housing be continued as a separate, cabinet level agency.*

During the committee's consideration of organizational alternatives to the Department of Housing, the agency's administrative structure was examined and found to be top-heavy. The Legislative Program Review and Investigations Committee contends that more efficient administrative decision-making could be achieved by consolidating the agency's top management structure and *recommends that the General Assembly's committee of cognizance and/or the Appropriations Committee take action to collapse the three upper management levels within the Department of Housing, which are currently comprised of the commissioner, the deputy commissioners and the bureau heads, into two levels.*

When the state's three-year housing advisory plan was originally developed, a task force was used to obtain input from various housing advocacy groups, local housing authorities, other community-based organizations, representatives of the housing industry and state agency personnel. Since the task force approach proved to be an efficient mechanism for assuring broad public participation and comprehensive planning, the committee believes the same process should be used to develop the statutorily required 1983 state housing plan update. *Therefore, the Legislative Program Review and Investigations Committee recommends that the process for updating the state's three-year housing plan include a task force comprised of representatives of the wide range of housing interests as well as each of the following state agencies that serve housing constituencies: the Departments of Aging, Economic Development, Human Resources, Housing, and Income Maintenance and the Connecticut Housing Finance Authority.*

The committee believes it is vital that the state's housing policy and planning document contain information and policy options to guide the legislature and the governor in addressing the potential problems raised by federal funding cuts. *Therefore, the Legislative Program Review and Investigations Committee recommends that the updated three-year housing plan include: 1) an analysis of the impact of losing federal Section 8 or similar new construction subsidies on housing production in Connecticut; and 2) a range of policy options for addressing this problem.*

While conducting the sunset review the committee found information on public housing waiting lists and vacancies was not readily available on a statewide basis. The Legislative Program Review and Investigations Committee believes that this information would be useful for Department of Housing planning activities and *recommends that the department develop and maintain a statewide subsidized housing waiting list for planning purposes.*

With regard to another waiting list issue, the committee contends that operators of state-assisted housing should be required to maintain a publicly posted and up-to-date list of applicants for the units they manage. With the adoption of this requirement, it would become difficult to advance a person to the top of a public housing waiting list for any reasons without public knowledge. To promote equal access to state-sponsored housing opportunities, *the Legislative Program Review and Investigations Committee recommends that local housing authorities and other housing project operators publicly post an up-to-date list of applicants for the state-assisted units they manage. In addition, exceptions to the list--in terms of advancing persons ahead of others--should only be permitted in cases of extreme hardship.*

Present statutory provisions concerning the state's elderly and moderate-rental programs are not consistent in terms of developer participation and the types of state funding provided. The program review committee believes that uniformity between the two major housing production programs would provide greater flexibility in the use of state resources for housing and could potentially simplify their administration. To make the state elderly and moderate-rental programs parallel, *the Legislative Program Review and Investigations Committee recommends that the statutes be amended to: allow for grants as well as low-interest loans under the moderate-rental program; and allow for-profit as well as nonprofit developer participation in the elderly rental program.*

The program review committee was concerned that state resources for housing purposes be allocated in an equitable manner. In particular, the committee believes that plans to build future state-assisted elderly and moderate-rental housing units should be based on statistics concerning the existing and future housing needs of lower income senior citizens and families. To emphasize its concerns, *the Legislative Program Review and Investigations Committee recommends that advocacy, policy and expenditure of all state funds for state-sponsored housing occur in a manner that is equitable and proportional to the needs of elderly and family households.*

INTRODUCTION

Purpose and Authority

Chapter 28 of the Connecticut General Statutes provides for the periodic review of certain governmental entities and programs and for the termination or modification of those which do not significantly benefit the public health, safety, or welfare. This law was enacted in response to a legislative finding that a proliferation of governmental entities and programs had occurred without sufficient legislative oversight.

The authority for undertaking the initial review in this oversight process is vested in the Legislative Program Review and Investigations Committee. The committee is charged, under the provisions of Section 2c-3 of Chapter 28, with conducting a performance audit of each entity or program scheduled for termination. This audit must take into consideration, but is not limited to, the four criteria set forth in Section 2c-7. These criteria include: (1) whether termination of the entity or program would significantly endanger the public health, safety, or welfare; (2) whether the public could be adequately protected by another statute, entity, or program or by a less restrictive method of regulation; (3) whether the governmental entity or program produces any direct or indirect increase in the cost of goods or services and, if it does, whether the public benefits attributable to the entity or program outweigh the public burden of the increase in cost; and (4) whether the effective operation of the governmental entity or program is impeded by existing statutes, regulations or policies, including budgetary and personnel policies.

In addition to the criteria contained in Section 2c-7, the Legislative Program Review and Investigations Committee is required, when reviewing regulatory entities or programs, to consider, among other things: (1) the extent to which qualified applicants have been permitted to engage in any profession, occupation, trade, or activity regulated by the entity or program; (2) the extent to which the governmental entity involved has complied with federal and state affirmative action requirements; (3) the extent to which the governmental entity involved has recommended statutory changes which would benefit the public as opposed to the persons regulated; (4) the extent to which the governmental entity involved has encouraged public participation in the formulation of its regulations and policies; and (5) the manner in which the governmental entity involved has processed and resolved public complaints concerning persons subject to review.

Methodology

The Legislative Program Review and Investigations Committee's sunset review process is divided into three phases. The initial phase focuses on collecting quantitative and qualitative data related to each entity's background, purpose, powers, duties, costs and accomplishments. Several methods are used by committee members and staff to obtain this information. These include: (1) a review of statutes, transcripts of legislative hearings, entity records (e.g., minutes, complaint files, administrative reports, etc.), and data and statutes of other states; (2) staff observation of meetings held by each entity during the review period; (3) surveys of selected persons and groups associated with each entity; (4) formal and informal interviews of selected individuals serving on, staffing, affected by or knowledgeable about each entity; and (5) testimony received at public hearings.

During the second phase, the staff organizes the information into descriptive packages and presents it to the committee. The presentations take place in public sessions designed to prepare committee members for the hearings, identify options for exploration and alert entity officials to the issues the committee will pursue at the hearings.

The final step of the review involves committee members and staff following up on and clarifying issues raised at briefings and public hearings. During this period, the staff prepares decision papers and presents recommendations to the committee. The committee, in public sessions, then debates and votes upon recommendations for the continuation, termination or modification of each entity.

BACKGROUND

Legislative History

The state's role in housing was established in the 1930's when the legislature found that public health, safety and welfare were endangered by a critical lack of decent, safe, sanitary and affordable housing for low-and moderate-income families. In 1936 Connecticut authorized municipalities to create public housing authorities. The intent of this legislative action was to provide safe and sanitary accommodations for residents of the state. Municipal housing authorities were authorized to receive and distribute state and federal money and to rehabilitate and construct suitable housing.

In 1943 the Connecticut General Assembly, sensing the need for a coordinated state housing policy, established a Connecticut Housing Authority consisting of five commissioners nominated by the governor and confirmed by the General Assembly. The duties of the Connecticut Housing Authority included: coordinating the activities of the municipal housing authorities; encouraging investment of private capital in low-rent housing; contracting with municipalities to build low-and moderate-income housing with a priority of housing for veterans; and establishing a statewide housing policy.

The Connecticut Housing Authority was eliminated in 1950 and its powers transferred to the commissioner of public works. Under the auspices of the public works department, large public housing projects were constructed for low-and moderate-income families and the elderly. The 1950's and early 1960's saw an emphasis put on constructing new housing projects to meet the critical housing shortage that was brought about by a low level of construction during the Depression and World War II years. Some housing experts refer to this time period as the "bricks and mortar" era.

In 1967 Connecticut's Department of Community Affairs was created (P.A. 522) and all state housing powers and duties delegated to the commissioner of public works were transferred to the commissioner of community affairs. Under the Department of Community Affairs the legislature expanded the state's role in housing to include regulation and supervision of state-assisted housing, management and budget review, and auditing. Construction-and-maintenance technical assistance activities were also undertaken to protect the state's investment in housing projects

and to insure the continued financial feasibility of low-and moderate-income family and elderly projects. A number of federal initiatives in low-and moderate-income rental housing, low-interest home ownership programs, and various community development, redevelopment, urban renewal, and neighborhood preservation programs were carried out by the Housing Bureau of the Department of Community Affairs.

In 1969 (P.A. 795) the Connecticut Mortgage Authority was established to provide a new financing mechanism for low-and moderate-income families. Public Act 69-795 created a public authority empowered to issue tax exempt debt, which was invested in government insured mortgages of low-and moderate-income units. The Connecticut Mortgage Authority consisted of the commissioner of the Department of Community Affairs, the commissioner of Finance and Control, the state director of the budget, the state treasurer and five members appointed by the governor.

Public Act 208 in 1972 expanded the authority of the Connecticut Mortgage Authority and renamed it the Connecticut Housing Finance Authority. The Connecticut Housing Finance Authority was not only able to buy and sell mortgages but could finance single-family homes and multifamily developments by making loans directly upon the security of any mortgage. Under current law, the membership of the authority consists of the commissioner of housing, the secretary of the Office of Policy and Management, the banking commissioner, the state treasurer and six members to be appointed by the governor.

In 1976, the Filer Commission, a gubernatorily appointed blue ribbon panel charged with studying how state government could be better organized, recommended major changes for housing functions. Under the Filer Commission's reorganization plan, all housing functions of the Department of Community Affairs and all functions of the Connecticut Housing Finance Authority would have been transferred to the new Department of Economic Development. In accordance with the commission's recommendations, the state government Reorganization Act of 1977 (P.A. 614) abolished the Department of Community Affairs and transferred its functions, powers and duties relating to housing to the Department of Economic Development. However, the Connecticut Housing Finance Authority remained an independent body.

Housing programs only remained in the economic development department until October 1, 1979, the effective date of P.A. 79-598, "An Act Establishing a Department of Housing." The

new separate agency assumed all the housing-related functions, powers and duties, including community development, redevelopment and urban renewal. In addition, the mandate of the newly created Department of Housing was to coordinate and direct at the state level all aspects of policy, development, redevelopment, preservation, maintenance and improvement of housing and neighborhoods. The Department of Housing was also empowered to annually approve the 12-month operating plan of the Connecticut Housing Finance Authority.

Under Public Act 79-598 another major function of the new department was development of a three-year housing plan that conforms to the plan of conservation and development for the state. This document is to be submitted to the governor and the secretary of the Office of Policy and Management. The first three-year plan was submitted on October 31, 1980, and subsequent plans must be submitted every third October 31 thereafter.

Structure

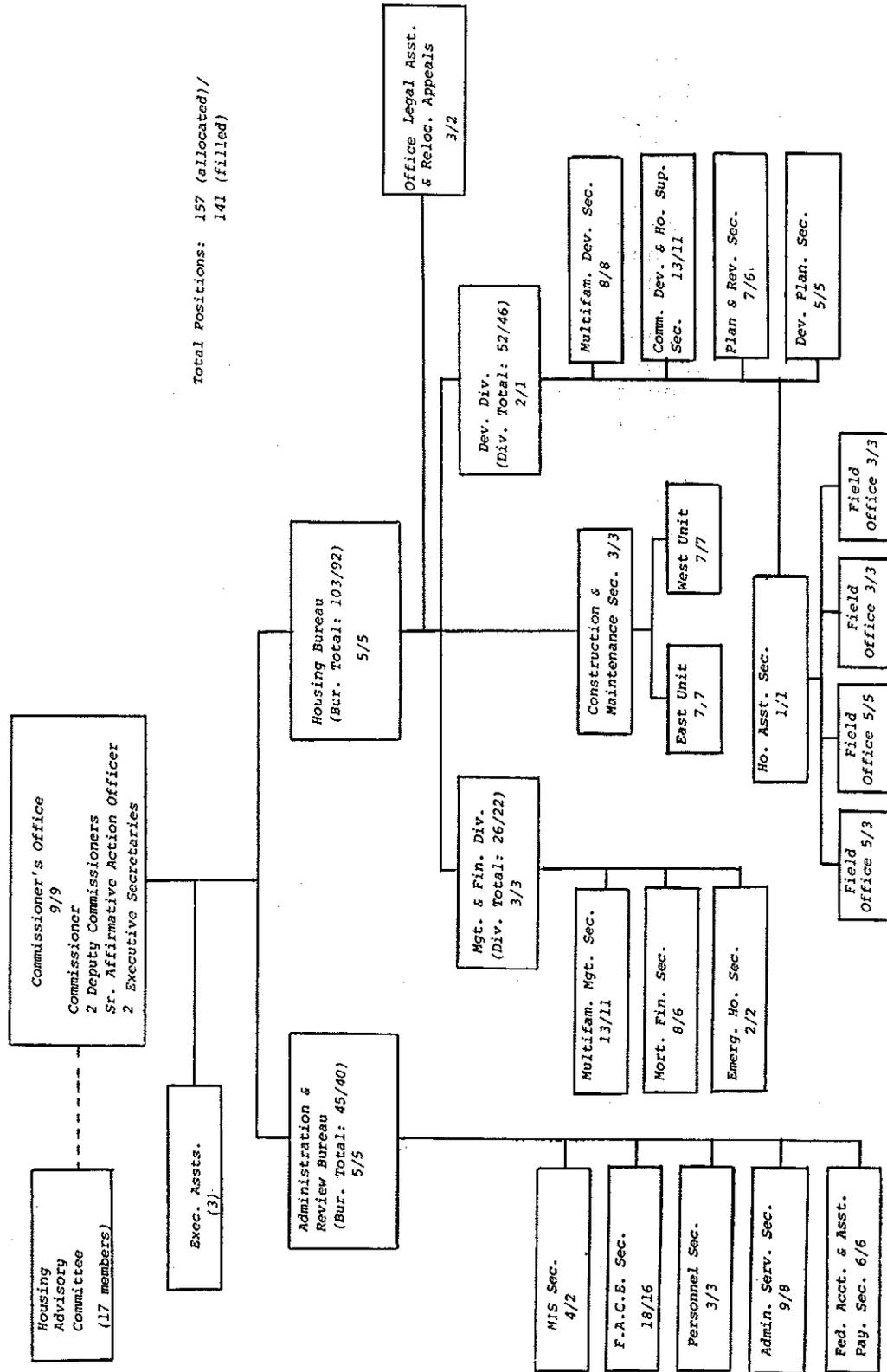
The Department of Housing was established as a separate cabinet-level agency on October 1, 1979. The agency's current organizational structure is shown in Figure II-1. The department is comprised of the commissioner's office and two bureau's-- Housing, and Administration and Review. A nonstatutory, 17-member housing advisory committee appointed by the governor also exists within the department. The committee, which is strictly advisory, meets monthly to discuss housing policy and other matters with the commissioner or his designee.

As of July 1982, 141 of the department's 157 allocated staff positions were filled. The 9 personnel within the commissioner's office included the housing commissioner, two deputy commissioners, a senior affirmative action officer, three executive assistants and two executive secretaries. The housing bureau was staffed by 92 people while administration and review bureau employees totaled 40.

Purpose, Powers and Duties

The Department of Housing is mandated to coordinate and direct at the state level all aspects of policy, development, redevelopment, preservation, maintenance and improvement of housing and neighborhoods. The major powers and duties of the department, which are outlined in eight chapters of the Connecticut General Statutes (Chapters 127c, 128, 129, 130, 133, 134, 135 and 136), include the following:

Figure II-1. Department of Housing--Organization and Staff, July 31, 1982.



Total Positions: 157 (allocated)/
141 (filled)

Source: LPR&IC staff analysis of Connecticut Department of Housing data.

- enter into agreements with eligible developers for the building or rehabilitation of moderate-or low-cost housing for families or the elderly;
- enter into contracts with municipalities or municipal housing redevelopment agencies for state financial assistance for a redevelopment or urban renewal project;
- act as the designated state agency empowered to hold or originate in the name of the state first and second mortgages on real estate and secondary loans;
- annually approve a projected 12-month operating plan of the Connecticut Housing Finance Authority;
- prepare and from time to time amend in conjunction with the Connecticut Housing Finance Authority a three-year housing advisory plan that conforms to the plan of conservation and development adopted by the General Assembly;
- prepare an annual report to the governor, General Assembly and the secretary of the Office of Policy and Management on the condition of the housing market in Connecticut;
- encourage the development of independent living opportunities for low-and moderate-income, handicapped and developmentally disabled persons, by making grants in aid to private and nonprofit housing development corporations that are organized for the purpose of expanding independent living opportunities; and
- coordinate housing policy and activities in conjunction with regional planning agencies, regional councils of elected officials, regional councils of government, municipal agencies, housing authorities and other appropriate agencies.

Fiscal Information

Table II-1 provides a breakdown of the operating budget expenditures and staff allocations for the Department of Housing

Table II-1. Department of Housing Operating Budget and Staff-Allocations.

	Actual FY 1980-81	Estimated* FY 1981-82	Appropriated FY 1982-83
<u>Operating Budget</u>			
General Fund expenditures	\$7,619,597	\$6,558,217	\$6,847,444
Special fund expenditures (nonappropriated)	1,774,824	2,022,892	2,877,154
Federal fund expenditures	4,324,081	5,758,981	8,051,550
TOTAL	\$13,718,502	\$14,340,090	\$17,776,148
<u>Funded Staff Positions</u>			
No. General Fund positions	42	38	38
No. other fund (federal & special nonappropriated) positions	89	118	110
TOTAL	131	156	148

* As of February 1982.

Source: Office of Fiscal Analysis, The State Budget for the 1982 Fiscal Year, p. 63.

for fiscal years 1980-81 through 1982-83. The major portion of General Fund expenditures goes for two department grant programs--Payment-in-Lieu-of-Taxes (PILOT) and Tax Abatement. For fiscal year 1982-83, the Tax Abatement program was allocated \$2,756,000 while \$2,883,000 was appropriated for PILOT grants.

The special funds nonappropriated that appear in the department's operating budget are revenues received from the set fees collected under several federal grant programs administered by the state housing agency. The bulk of these funds is used to support staff positions in the administration bureau that are, for the most part, responsible for financial auditing related to federal programs. There were 30 federally funded personnel working throughout the department during the sunset review period.

Most of the approximately \$8 million in federal funds shown in the department's FY 1982-83 operating budget are housing assistance payments that are passed through to low-and moderate-income households in Connecticut. The department also received

\$200,000 in federal funding to support administrative costs associated with the state's implementation of the U.S. Housing and Urban Development Department's small cities block grant program during the current fiscal year.

The primary funding source for the department's activities, particularly its housing production programs, is the agency's capital budget, shown in Table II-2. The bond fund amount authorized by the General Assembly as well as the amounts requested by the agency and recommended by the governor are exhibited for each type of capital program over the last three fiscal years. (The capital programs administered by the department are described in the following chapter on activities.)

As Table II-2 indicates, the amount of capital funding requested by the Department of Housing has grown dramatically each year. In FY 1980-81, the department requested a total of \$52 million in bond funding while in FY 1982-83, \$116 million was requested. Substantially increased authorizations have been sought for the department's two production programs--elderly and moderate rental housing. The agency requested increases in these construction program authorizations, especially in FY 1981-82, in order to capture as much funding as possible from federal rent subsidy (Section 8) programs targeted for termination in 1982.

The information on bond funding also shows that the governor has, in general, drastically reduced the housing department's capital request while the legislature has at least partially restored capital program funding. Although the Department of Housing has not received capital funding at the levels it requested, in the past few years, authorizations for housing purposes have comprised roughly one quarter of the state's total capital budget.

Table II-2. Department of Housing Capital Budget.

FY 1980-81 Capital Budget
(in millions of dollars)

<u>Program</u>	<u>Agency Request</u>	<u>Governor's Recommendation</u>	<u>Legislative Authorization</u>
Moderate rental rehabilitation	\$10.0	\$3.0	\$3.0
Moderate rental (production)	15.0	0	5.0
Rental housing for the elderly	10.0	6.0	5.0
Elderly congregate housing	4.0	0	0
Community development corporations	1.5	0	0
Housing site development	1.5	0	0
Neighborhood preservation	2.0	0	0
Downpayment assistance loans	4.0	0	0
Community centers--housing authorities	3.0	0	0
Demonstration projects	1.0	0	0
Elderly housing--inflation adjustment	0	0	3.0
Energy conservation loans	0	0	2.0
TOTAL	\$52.0	\$9.0	\$18.0

FY 1981-82 Capital Budget
(in millions of dollars)

<u>Program</u>	<u>Agency Request</u>	<u>Governor's Recommendation</u>	<u>Legislative Authorization</u>
Moderate rental rehabilitation	\$10.0	\$2.6	\$2.6
Moderate rental (production)	15.0	5.0	5.0
Rental housing for the elderly	10.0	0	2.0
Elderly congregate housing	2.0	0	1.0
Downpayment assistance loans	10.0	.5	.5
Housing site development	2.0	.8	.8
Community development corporations	2.0	.8	.8
Demonstration projects	1.0	0	0
Energy conservation loans	5.0	1.3	5.0
Neighborhood preservation	2.0	0	1.5
Administrative--housing authorities	1.5	0	0
Receivership fund	0	0	.3
Moderate rental--federal (Section 8) funding	0	0	25.0
TOTAL	\$60.5	\$11.0	\$44.5

FY 1982-83 Capital Budget
(in millions of dollars)

<u>Program</u>	<u>Agency Request</u>	<u>Governor's Recommendation</u>	<u>Legislative Authorization</u>
Moderate rental rehabilitation	\$20.0		\$3.0
Rental housing for the elderly	25.0	see footnote # ¹	5.0
Housing site development	2.0		1.0
Neighborhood preservation	5.0		.0
Community development corporations	2.0		1.0
Downpayment assistance	2.0		4.0
Moderate rental (production)	50.0	0	10.5 ²
Energy conservation loans	10.0	1.5	4.0
Community development	0	0	1.0
Urban homesteading	0	0	1.0
TOTAL	\$116.0	\$20.0	\$30.5

¹ A block grant of \$18,500,000 was recommended for all of these programs.

² \$3,000,000 of this amount was authorized for moderate rental housing--federal programs only.

Source: LPR&IC staff compilation of Department of Housing capital budget data.

ACTIVITIES

The Department of Housing is responsible for a large number and wide variety of housing-related activities. Most of these activities can be grouped in two roles: housing production and preservation; and monitoring and technical assistance. Department functions and programs fulfilling these roles are briefly described in the following sections. All Department of Housing programs are individually summarized in Appendix B.

Major Functions

The major functions of the Department of Housing are: administration; development of multifamily housing; management and maintenance of multifamily housing; and single-family housing assistance (mortgage and loan programs). Staff resources devoted to each function during the current fiscal year (FY 1982-83) are shown in Table III-1.

Included in the administrative function are statewide policy and planning duties concerning housing production and preservation as well as all internal agency management activities. Among the personnel responsible for this function are the commissioner, the two deputy commissioners, the two agency bureau heads and the support staff for these top management positions. All staff of the agency's Administration and Review Bureau, which conducts activities to insure fiscal accountability, are also part of the resources assigned to the administrative function.

The 40 personnel with the administration bureau examine the financial records and accounts of all programs funded by the Department of Housing as well as federally funded programs administered by the department. Payments made through department programs including all grants and loans are reviewed and processed by administration bureau staff. Bureau personnel also audit the financial records of approximately 75 local housing authorities funded by the department.

The department's 92 Housing Bureau staff, who are directly responsible for implementing production and preservation funding programs, providing technical assistance and monitoring state-assisted housing operations, are divided among the three remaining major agency functions. All of the bureau's 31 Development Division employees and 2 Construction and Maintenance Section personnel carry out activities for the development of multifamily housing. The development function also includes the 15 federally funded staff who administer the U.S. Department of Housing and Urban Development (HUD) housing assistance payments (federal Section 8 rent subsidies) allotted for Connecticut low-income households.

Table III-1. Staff Resources by Major Department of Housing Function, Fiscal Year 1982-83.

<u>Function</u>	<u>Funding Source</u>	<u>No. (Funded) Positions</u>	<u>Personal Services Funding</u>
Administration	General Fund	25	\$562,956
	Bond Fund	26	\$909,040
	Federal Funds	3	N/A
Development of Multifamily Housing	General Fund	6	\$156,365
	Bond Fund	26	\$895,288
	Federal Funds	24	N/A
Management and Maintenance of Multifamily Housing	General Fund	3	\$ 70,602
	Bond Fund	23	\$847,930
	Federal Funds	3	N/A
Single Family Housing Assistance (Mortgage and Loan Programs)	General Fund	3	\$ 65,650
	Bond Fund	5	\$224,896
	TOTAL	147	\$3,732,727

N/A = Not available.

Source: Connecticut General Assembly, Office of Fiscal Analysis, The State Budget for the 1982-83 Fiscal Year.

Among the staff resources assigned to the management and maintenance of multifamily housing function are the 11 personnel from the Housing Bureau's Multifamily Management Section and 15 Construction and Maintenance Section positions. Eight Housing Bureau personnel administer the mortgage and loan programs operated to fulfill the agency's single family housing assistance function. The programs and activities related to each of these major functions are outlined in greater detail below.

Development of Multifamily Housing

Through its construction and rehabilitation grant and loan programs, the Department of Housing is directly involved in developing multifamily rental housing for elderly, handicapped and low-to-moderate-income individuals and families. The staff of the Housing Bureau's Development Division have primary responsibility for implementing the department's programs that fully finance or supplement the production of multifamily housing units. Information on the Development Division's activities during the sunset review period are summarized in Table III-2.

The Development Division oversees all aspects of state-assisted housing projects from the time funding is requested through the completion of construction. The personnel of the division's Multifamily Housing Development Section and the Housing Support Section review funding requests to determine if eligibility criteria and departmental funding priorities are met by proposed projects.

Approved projects are monitored and technical assistance services are provided throughout the planning and construction phases. For example, architect and engineering reviews of the construction plans for projects fully funded by the state are conducted by the division's Plan and Review Section staff to assure compliance with the state building code as well as agency guidelines on materials, equipment, handicapped accessibility and similar matters.

Field monitoring at construction and rehabilitation sites is accomplished by the staff of the Construction and Maintenance Section. This section also oversees bid, negotiation and change order procedures for state-assisted housing projects and provides technical assistance regarding construction and rehabilitation matters.

The major steps in the department's development process for the elderly and moderate-rental programs, the state's largest

Table III-2. Department of Housing--Multifamily Housing Development Activities, September 1982.

<u>Production (Full Funding) Programs</u>	<u>No. Projects</u>	<u>No. Units</u>	<u>Dollars</u>
Moderate-Rental Housing	10	642	\$31,946,678
Elderly Rental Housing	16	594	15,453,475
Congregate Housing	5	153	3,286,000
TOTAL	31	1,389	\$50,686,153
<u>Production Support (Supplemental Funding) Programs</u>	<u>No. Projects</u>	<u>No. Units</u>	<u>Dollars</u>
Housing Site Dev.	18	851	\$6,906,634
Community Housing Dev./Federal Rehab. Loans (Section 8)	3	79	1,034,385
Community Housing Dev./State Rehab. & Revolving Fund Loans	8	181	857,000
Moderate Rehab./Federal (Section 8)	3	292	1,022,174
Neighborhood Rehab.	11	927	1,770,000
Neighborhood Housing Services	6	250	500,000
TOTAL	49	2,580	\$12,090,193

Source: Connecticut Department of Housing.

housing production programs, are shown in Figure III-1. Under these two programs, state grants or low-interest loans are provided to local housing authorities or other types of developers for the construction of units to house income-eligible tenants. Developers receiving moderate-rental or elderly rental funding own and operate the completed projects. At present, the state does not operate any major housing projects, although the housing department does supervise the management of all state-assisted projects.

Figure III-1. Department of Housing (DOH) Development Process for Elderly and Moderate-Rental Housing Programs.

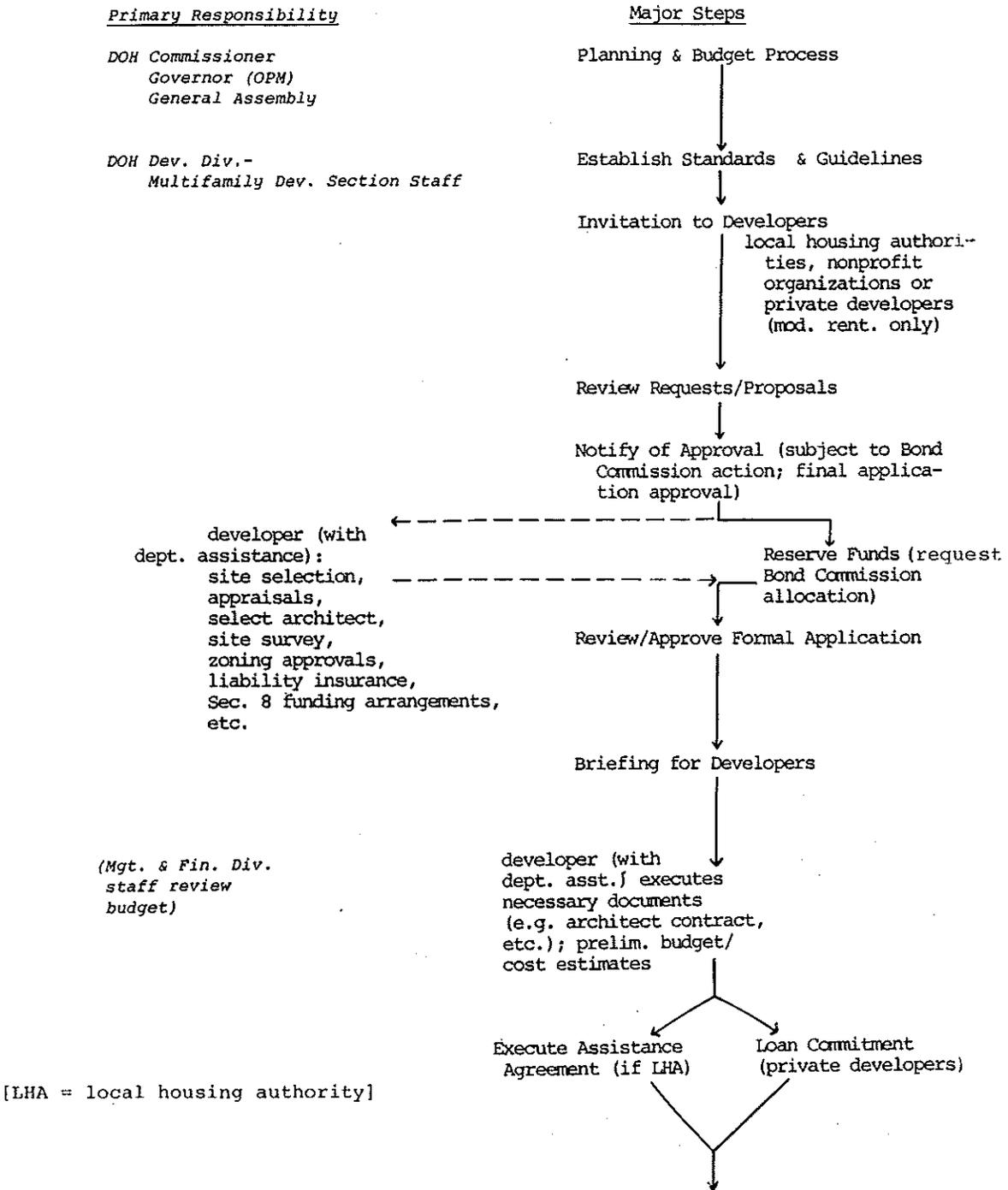
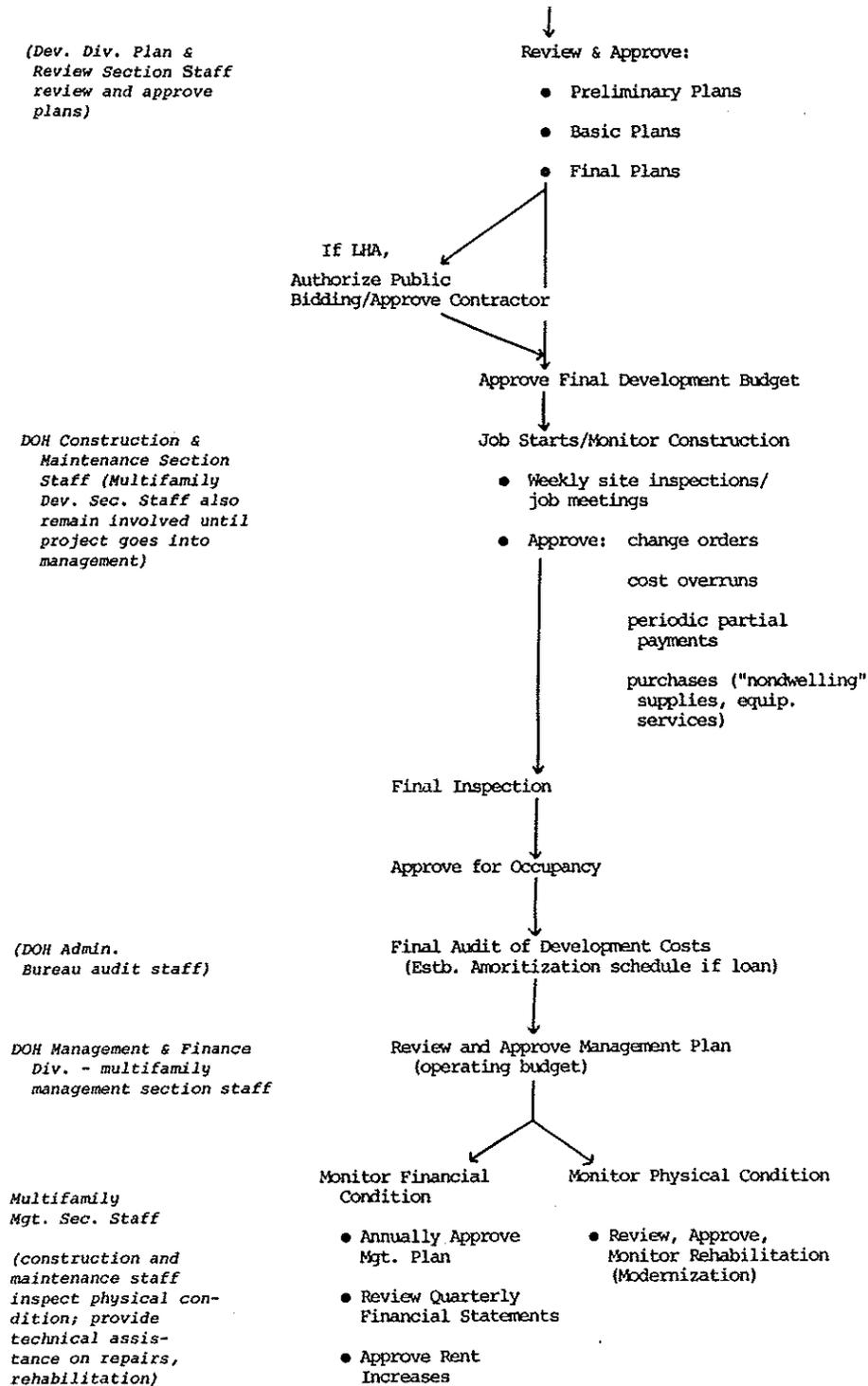


Figure III-1. (cont.)



Statistics for the elderly and moderate-rental housing production programs are shown in Tables III-3 and III-4. Nearly \$175.5 million in bonded funds have been authorized and more than \$162.8 million have been allocated by the legislature for the moderate-rental program from its inception in 1947 through July 1, 1982. Much of the allocated funding was used prior to the creation of the Department of Housing by its predecessor agencies to develop, as of July 1, 1980, 8,361 moderate-rental housing units. Table III-3 lists the moderate-rental program activities of the department's Multifamily Housing Development Section.

Table III-3. State Moderate-Rental Housing--Program Statistics for the Period July 1, 1980-July 1, 1982.

<u>Project Phase</u>	<u>No. Projects</u>	<u>No. Units</u>	<u>Total Funds Allocated</u>
Completed	5	164	\$ 6,797,430
Under construction	4	125	\$ 7,037,455
Under planning for construction	8	574	\$27,646,678

Source: Connecticut Department of Housing.

More than 5,600 units of elderly rental housing were produced from 1959, the year the program was established, through July 1, 1982. (See Table III-4.) As with the moderate-rental program, the bulk of the state's elderly housing inventory was produced before 1979 when the program was under the former state public works and community affairs departments.

At the beginning of FY 1982-83, the Multifamily Housing Development Section was overseeing 14 projects involving almost 500 units of state-assisted elderly housing that were under construction or planned. In addition, 32 formal requests for elderly projects comprising a total of 1,761 units were on file. While there was \$5,792,196 in unallocated bond funds available for elderly rental housing on July 1, 1982, the department estimated that more than \$56 million would be needed to fund all outstanding requests.

Table III-4. State Rental Housing for the Elderly--Program Statistics, July 1, 1982.

<u>Project Status</u>	<u>No. Projects</u>	<u>No. Units</u>	<u>Capital Expenditures</u>
Completed	145	5,644	\$96,102,956
Under construction	6	210	\$ 5,290,150
Planning or bid	8	276	\$ 8,547,275

Source: Connecticut Department of Housing.

The multifamily development staff also operate a third, smaller production program--congregate housing for the elderly--whereby state grants or loans are provided to community housing development corporations or other approved developers for production of congregate facilities for low-income elderly citizens.¹ As of July 1982, two projects involving 72 units were under construction while four others comprising 123 units were in the planning stage. Funding authorized for these projects totaled \$4.4 million.

In addition to fully financing elderly and moderate-rental housing production, the Development Division's Housing Support Section provides supplemental financial assistance that: 1) helps capture primary construction or rehabilitation funding from other sources; and/or 2) helps reduce production or operating costs to make low-and moderate-income housing projects financially feasible. Housing officials estimate that the various complementary state funding programs have helped to produce approximately 18,000 units since 1950.

Currently, "up front" money for a wide variety of housing and neighborhood improvement projects is available through four Department of Housing programs: Housing Site Development; Community Housing Development Corporations; Neighborhood Rehabilitation; and Neighborhood Housing Services. Property acquisition, including

¹ Congregate housing is a semi-independent residential setting for elderly persons who do not need the extent of care or supervision provided in a nursing home but who do require certain supportive services such as meals and bathing/grooming assistance.

the purchase of blighted structures for rehabilitation, and site development are the most frequent uses of the supplemental funding provided under these programs.

The amounts awarded are relatively small. The 20 individual housing site development grants and community housing development corporation no-interest loans active in June 1982, for example, ranged from \$20,000 up to \$1.65 million and averaged less than \$400,000. However, this "up front" money provided by the state has generated significant amounts of primary financing from federal, local, other state and even private sources. The number of units currently being assisted by the four major state housing support programs is shown in Table III-5.

Table III-5. Multifamily Housing Production Assisted by Four State Programs, June 1982.

<u>Program</u>	<u>Funding</u> <u>(\$Millions)</u>	<u>No. Funded</u> <u>Projects/Cities</u>	<u>No. Units</u> <u>Assisted</u>	<u>Time</u> <u>Period</u>
Housing Site Development	\$4.25	11 projects	588	June 1982 (active)
Community Housing Dev. Corporations	\$1.36	9 projects	320	June 1982 (active)
Neighborhood Rehab.	\$1.5	9 cities	300 (est.)	FY 82-83
Neighborhood Housing Services	\$.3	6 cities	50 (est.)	FY 82-83

Source: Connecticut Department of Housing, Community Development and Housing Support Section.

Under another production support program, Housing for the Handicapped and Developmentally Disabled, the department's Housing Support Section has granted \$50,000 annually in fiscal years 1980-81 through 1982-83 to the Corporation for Independent Living to cover this private nonprofit agency's administrative costs.

The Corporation for Independent Living, which provides consulting and advisory services to local nonprofit groups that produce housing for developmentally disabled and handicapped persons, has been successful in securing federal funding for the production of more than 100 units of such housing by its clients through June 1982.

Due to the impact of inflation and high interest rates, rent subsidies have become an increasingly important element in the development of affordable multifamily housing. Currently, the only rental subsidies available for use in developing new housing for low-and moderate-income households are those provided under two U.S. Department of Housing and Urban Development Section 8 programs: Moderate Rehabilitation; and Substantial Rehabilitation/New Construction. Administrative responsibility for the state's allocation of these rent subsidy programs is shared by the Connecticut Housing Finance Authority and the Department of Housing. Both the authority and the department's Development Division have used the federal housing assistance payments in conjunction with their multifamily housing programs.

A third type of federal rent subsidy, which is provided through the HUD Section 8 Existing program, does not aid in development of new units but makes housing assistance payments available for approximately 10,000 Connecticut households. The Department of Housing receives the state's allocation of Section 8 Existing funds and actually operates this rent subsidy program for approximately 70 small communities.

At four field offices, the Development Division's Housing Assistance Section staff determines eligibility and processes applications for the Section 8 Existing rent subsidies administered by the Department of Housing. Other functions of the field office personnel include: inspections of units to be occupied by the Section 8 Existing tenants; resolution of landlord-tenant problems; and redeterminations of tenant eligibility. During the sunset review period, the department was administering about \$200,000 per month in Section 8 Existing housing assistance payments for over 1,100 households throughout the state.

Management and Maintenance of Multifamily Housing

As noted above, the Department of Housing supervises the management of state-assisted housing projects. Responsibility for monitoring the operational aspects of elderly and moderate-rental projects once they have been approved for occupancy rests with the Housing Bureau's Multifamily Management and Finance Division.

The budgets and management plans of all operators of state elderly, moderate-rental and congregate projects must be reviewed and approved by this division each year. Operators are also required to submit quarterly financial statements, which permit the division's multifamily management staff to periodically evaluate conformance with approved annual plans and budgets.

In addition to reviewing budgets, the Multifamily Management Section monitors management and maintenance practices of housing project operators and checks for compliance with state insurance, affirmative action and other required procedures and policies. Technical assistance concerning accounting, bookkeeping and management procedures is also provided by both the administration bureau and the Multifamily Management Section personnel as part of the department's monitoring efforts. At the time of the sunset review, the operations of about 120 local housing authorities and 30 private developers that had received state production program funds were being monitored by the Department of Housing staff.

Another activity of the Multifamily Management Section is the administration of the Payment-in-Lieu-of-Taxes and the Tax Abatement Programs, under which payments are made to towns to offset property taxes forgiven on public housing projects. The state funds provided through these programs--almost \$6 million in fiscal year 1981-82--subsidize housing project operating costs to help keep rents affordable for lower income tenants.

The staff of the Multifamily Management Section and the construction and maintenance section also administer the department's moderate-rental rehabilitation program. At the end of FY 1981-82, a total of \$23.1 million had been authorized for this program, which provides state grants or loans for the renovation and modernization of the aging stock of moderate-rental housing units. Approximately 10,000 units have been rehabilitated with these funds since 1967.

In addition to moderate-rental rehabilitation projects, state funding and technical assistance are available for general repairs and maintenance of both elderly and moderate-rental units. Many of these maintenance projects, which include roof repairs and heating equipment replacements, are intended to improve the energy efficiency of state-assisted housing units. Information on the various department maintenance activities underway during the sunset review period is presented in Table III-6.

Table III-6. Department of Housing--Multifamily Housing Maintenance Activities, September 1982.

	<u>No. Projects</u>	<u>Dollars</u>
State Elderly Unit--Repairs, Maintenance & Replacement	160	\$ 1,000,000
State Moderate-Rental Unit--Repairs, Maintenance & Replacement	65	1,500,000
State Moderate-Rental Rehabilitation (Grants)	75	10,000,000
TOTAL	300	\$12,500,000

Source: Connecticut Department of Housing.

Single-Family Housing Assistance (Mortgage and Loan Programs)

Although the Connecticut Housing Finance Authority is the primary source of home mortgage loans for low-and moderate-income families in the state, several small-scale homeowner assistance programs are operated by the Mortgage Finance Section of the housing department. In addition to verifying eligibility, the mortgage finance staff execute and service the loans that are granted through the department's Moderate-Rental Sales, Downpayment Assistance and Energy Conservation Loan Programs.

Under the Moderate-Rental Sales Program, low-interest loans are provided to tenants or other qualified buyers for the purchase of state moderate-rental housing units. At the time of the sunset review, the staff of the Mortgage Finance Section was working with two local housing authorities regarding the sale of 23 single family homes by one and 45 moderate-rental duplexes by the other.

The state's second mortgage or Downpayment Assistance Program was established in 1977 to increase homeownership opportunities for low-and moderate-income families who would otherwise be excluded from the marketplace by the high mortgage interest rates (16 to 20 percent) of the past few years. Very low interest loans of up to 25 percent of the purchase (or the purchase and

rehabilitation) cost are granted by the mortgage finance staff to qualified first-time homebuyers for downpayment (or downpayment and rehabilitation) purposes.

The Mortgage Finance Section also administers the department's Energy Conservation Loan Program. Since 1979, this program has provided eligible homeowners with low-interest financing for specific types of energy conservation home improvements.

The state-subsidized mortgages granted to World War II veterans and other moderate-income citizens under the state Moderate-Cost Housing Program and to victims of the state's 1955 flood disaster under the Flood Relief Housing Program are serviced by the staff of the Mortgage Finance Section. Less than four percent (234) of the loans provided under these two programs were active during the sunset review period. The number of loans and total funding for all five homeowner assistance programs overseen by the department's mortgage finance staff are presented in Table III-7.

Other Activities and Duties

The enabling legislation of the Department of Housing (P.A. 79-598) requires the agency to conduct a number of research activities. One of the most significant agency research projects is the preparation of a three-year housing advisory plan. The department published the first and current plan in conjunction with the Connecticut Housing Finance Authority in October 1980.

Other research activities that are statutorily required include the department's annual report on the condition of the housing market and yearly housing production data. Several studies and the collection of certain additional housing-related data, such as a catalog of all public housing in the state, have been initiated by the department as part of its policy and planning mandate. One staff person, currently assigned to the Housing Bureau's Management and Finance Division, oversees the department's research efforts and prepares major research publications including the three-year plan.

The Department of Housing is responsible for administering the state's Uniform Relocation Assistance Act. The legal staff of the Office of Legal Assistance and Relocation Appeals--one full-time attorney and others on a per diem basis as needed--hear the appeals of relocation cases concerning persons displaced by government agencies or actions (except for transportation relocation appeals, which are handled by the Department of Transportation).

Table III-7. Funding Provided Under Five State Homeowner Assistance Programs.

Moderate-Cost Housing (WW II Veterans)¹

	<u>No. Loans</u>	<u>Mortgage Notes Receivable</u>	
Granted	6,046	Originations	\$59,512,565.00
Paid	<u>6,003</u>	Repayments	<u>59,497,915.19</u>
Active	43	Balance	\$ 14,649.81

Flood Relief Housing (1955 Flood)¹

	<u>No. Loans</u>	<u>Mortgage Notes Receivable</u>	
Granted	381	Originations	\$4,457,615.00
Paid	<u>190</u>	Repayments	<u>3,927,026.81</u>
Active	191	Balance	\$ 530,588.19

Moderate Rental Sales¹

	<u>No. Loans</u>	<u>Mortgage Notes Receivable</u>	
Granted	523	Originations	\$10,814,775.00
Paid	<u>123</u>	Repayments	<u>3,455,738.62</u>
Active	400	Balance	\$ 7,359,036.38

Downpayment Assistance Program²

	<u>No. Loans</u>	<u>Mortgage Notes Receivable</u>	
Granted	833	Originations	\$6,643,765.00
Paid	<u>13</u>	Repayments	<u>217,531.56</u>
Active	820	Balance	\$6,426,233.44

Energy Conservation Loan Program²

	<u>No. Loans</u>	<u>Notes Receivable</u>	
Granted	4,105	Originations	\$9,678,980.37
Paid	<u>237</u>	Repayments	<u>1,911,452.24</u>
Active	3,868	Balance	\$7,767,528.13

¹ Month ending July 31, 1982.

² Month ending August 31, 1982.

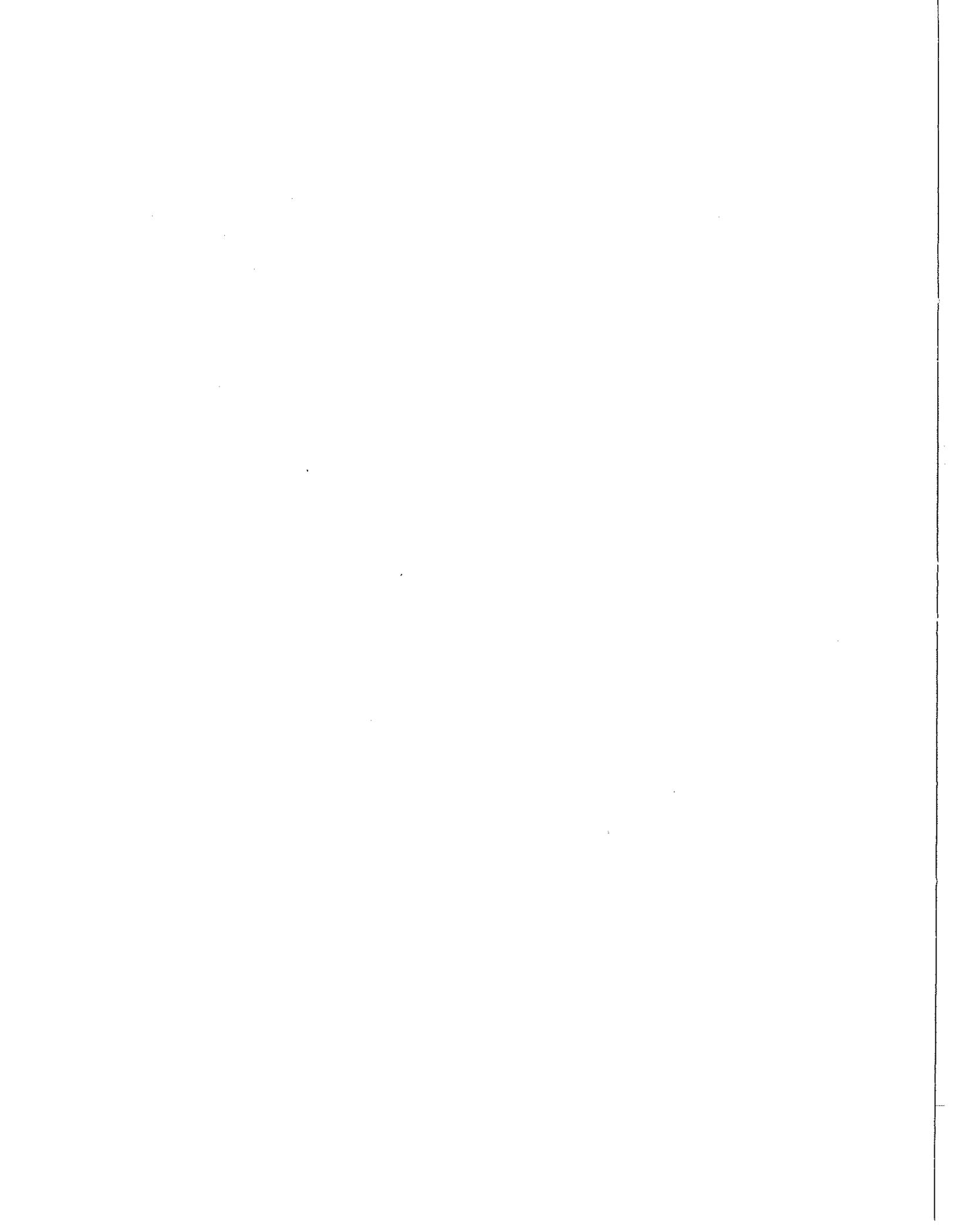
Source: Connecticut Department of Housing, Mortgage Finance Section.

The housing commissioner is empowered to act as the Connecticut State Housing Authority. It is in this capacity that the department operates the Section 8 Existing program on behalf of Connecticut communities that lack the administrative resources for handling housing assistance payments. In addition, the agency has used its state housing authority powers to sponsor housing development projects in areas not served by local housing authorities.

Another department program, emergency temporary housing, is activated only in times of state disasters such as the October 1979 tornado and the recent June 1982 flood. In addition to providing victims with temporary housing, department personnel assist with relocation plans and coordinate federal disaster relief activities. Supervisory responsibility for this program rests with the Housing Bureau's Emergency Housing Section.

Since 1979, the commissioner of housing has been a member of the Connecticut Housing Finance Authority board of directors, and the department has had responsibility for reviewing and approving the authority's annual operating plan. This review and approval authority was intended to improve coordination between the state's two major producers of housing for low-and moderate-income persons.

The scope of the department's housing activities has expanded each year since the agency was established. Under legislation enacted in 1980, the Department of Housing was given responsibility for monitoring condominium conversions throughout the state. In 1981, the department was charged with administering a revolving fund for the housing receivership program created under P.A. 370. In October 1981, the department was also designated the lead agency for the federal Small Cities Community Development Block Grant Program.



ANALYSIS AND RECOMMENDATIONS

The current role of the Department of Housing is the provision of financial assistance for the development of housing opportunities and the performance of monitoring, planning, coordination, technical assistance and research functions related to housing matters. The Legislative Program Review and Investigations Committee's sunset review of the department focused on whether there was a public need for continuing the state's role in housing and, if so, whether a separate cabinet level agency was needed. In addressing the first question, the committee separately examined the need for state funding to produce and preserve housing and the benefits of state housing-related management and research activities.

Continuation of the State's Housing Role

All available data reviewed by the Legislative Program Review and Investigations Committee substantiate the claims of a "housing crisis" in Connecticut, particularly for low-and moderate-income persons. A significant factor contributing to the state's shortage of affordable housing is increasing demand among young adults and the elderly. Studies have shown that members of these two age groups create a demand for a variety of housing types that include: rental apartments, both publicly and privately financed; condominiums; congregate housing; nursing homes; and single-family houses. The complete 1980 census count indicated that while the total number of persons in Connecticut households increased since 1970 by a small amount (2.5 percent), population growth was greatest in the 25-34 age group (+ 24 percent) and the 65 and over age group (+ 20 percent).

Statewide, rental unit vacancy rates are very low, ranging from a high of 4.0 percent in Rockville to 0.4 percent in Darien. In state-assisted elderly and multifamily projects the vacancy rate approaches zero. Low vacancy rates combined with increasing demand, make it difficult for lower income individuals and families to find suitable and affordable rental housing.

Moreover, tenants eligible for Section 8 existing housing assistance payments have difficulty finding moderately priced vacant apartments. The Department of Housing found that in Hartford only one family out of three was able to find a suitable two bedroom unit, while in New Haven the ratio drops to one family out of five. Eligible families who are unsuccessful in their search for affordable rental units must give up their Section 8 rent certificates.

According to a program review committee analysis, a low-income family that is not in an apartment subsidized by a federal Section 8 program but is receiving a Department of Income Maintenance flat grant may end up paying close to 70 percent of the grant for rent. For example, the median rental price for a three bedroom apartment in Hartford (using the fair market rents established by HUD for the Section 8 program) is \$422 per month. The state welfare flat grant for a family of five is \$6,874 per year. This family would have to pay nearly 74 percent of its flat grant for rent at the fair market rate. The approximately 47,000 Connecticut families now receiving flat grants from the state Department of Income Maintenance are only a portion of the citizens in need of low-income housing.

A significant portion of housing units currently occupied in the state are inadequate. The Department of Housing estimates that approximately 170,000 Connecticut households (15 percent of all households) are living in inadequate dwelling units and nearly 96 percent of these units are in multifamily dwellings.

Among the factors inhibiting production of adequate, affordable housing are high market interest rates and soaring land acquisition and construction costs. The Legislative Program Review and Investigations Committee's study revealed that without federal and state financial assistance, few if any new low-and moderate-income housing units would be produced in Connecticut.

Data on government subsidized and privately financed multifamily housing production in 1980 and 1981 are shown in Figure IV-1. For both years, very few multifamily apartment units would have been constructed if subsidies were not available from government agencies. The Department of Housing estimates that in 1982, approximately 2,000 multifamily rental units will be produced, with all being constructed through some form of government subsidy.

The effect of a government subsidy for a rental housing unit is a substantial reduction in the amount of money the tenant will have to pay in rent. Under the Section 8 new construction program a tenant pays 25 percent of his/her income for rent with the remaining amount being reimbursed to the landlord by the federal government. Available data clearly shows that the private sector is unable to provide rental housing that is affordable to low-and moderate-income people without some public aid, either low-interest loans and/or tenant rental assistance payments.

Figure IV-1. Multifamily Housing Units Constructed in Connecticut, 1980 and 1981.

	<u>1980</u>	<u>1981</u>
Total no. of units constructed	4,077	3,115
<u>Percentage rental units</u>		
Government subsidized	58	60
Privately financed	7	1
<u>Percentage condominiums</u>	<u>34</u>	<u>39</u>
	100%	100%

Source: Connecticut Department of Housing, 1981 Annual Housing Market Report, p. 15.

The fact that the private sector is unable to meet the growing need for adequate, affordable housing justifies continuation of the state's role in providing financial assistance for housing production and preservation. Through its various grant and loan programs, the state has:

- funded the development of about 22 percent (14,246 units) of all publicly assisted multifamily housing in the state as of January 1, 1982;
- helped to produce approximately 18,000 low- and moderate-income housing units since 1950; and
- provided \$27 million in low-interest loans to 5,500 families for mortgages, downpayment assistance/rehabilitation projects, and energy conservation through August 1982.

At the time of the committee's sunset review, the Department of Housing was: providing \$62 million through 80 separate production and support projects to create almost 4,000 low- and moderate-income units; and funding 75 repair and rehabilitation projects involving \$10 million in grants to preserve existing state-assisted housing units.

If the state's financial assistance role is eliminated, the Connecticut Housing Finance Authority would become the primary source of state funding for housing production. However, with the termination of the federal Section 8 substantial rehabilitation/new construction program earlier this year, the Connecticut Housing Finance Authority's future role in multifamily housing development for low-and moderate-income persons is uncertain. Despite the below-market interest rates the authority provides to developers of multifamily projects the rent subsidies provided under these federal programs have also been required to keep units affordable to low-and moderate-income families and senior citizens.

Major changes in the authority's single family home mortgage program also are possible under pending federal legislation. The Connecticut Housing Finance Authority has been the principal source of home mortgages for low-and moderate-income Connecticut citizens; if the authority's program is significantly reduced, other sources of state assistance will become critical for meeting the growing need for below market rate home mortgages. Furthermore, while thousands of low-income public housing units have been produced in Connecticut by federal programs, Washington is shifting more financial and administrative responsibility to the states.

Given the uncertainty of both the Connecticut Housing Finance Authority's and the federal government's role in housing and the magnitude of Connecticut's housing problems, the program review committee believes it is essential to continue the housing production and preservation loan and grant programs being operated by the Department of Housing. *Therefore, the Legislative Program Review and Investigations Committee recommends continuation of the current state role in providing financial assistance for the creation and preservation of housing opportunities in Connecticut.*

As state funding for housing programs grew, the legislature expanded the housing department's role to include oversight of state-assisted housing to protect the state's investment in housing projects. Growth in the number of funding sources and the increasing complexity of producing and preserving affordable housing also prompted a need for the state to provide more types and greater amounts of technical assistance services and more coordination and research at the state level.

The Department of Housing has also been responsible for pressuring local housing authorities to keep rents at levels that meet expenses and avoid deficit situations. For example, it was the state housing commissioner's decision to develop a new rent structure for state-assisted elderly projects that insures local housing authorities maintain sufficient reserve funds. The department is presently considering a similar revision of the rent

structure for moderate-rental family units. Although nearly half of the 26 authorities administering moderate-rental projects are running deficits, these operators are reluctant to increase rents, primarily because of the controversy involved. To avoid deficits, which can result in defaults on repayment of state loans, state leadership has been needed in this area.

In the program review committee's opinion, there is a need for a state level agency to set funding priorities and decide which proposals receive grants or loans for housing development or preservation. Since most current projects require more than one funding source, it is essential that there be a state agency to coordinate the resources needed to create new housing. The Legislative Program Review and Investigations Committee also found that the housing department's research functions--developing and updating a three-year housing advisory plan and publishing guides for producing low cost homes--have proven beneficial in determining future housing needs and demands, and in developing alternative financing and production methods.

The department's state housing authority activities have also produced benefits to the residents of the state's smaller communities who receive rent subsidies through the housing department's Section 8 field offices. State taxpayers have benefited as well from the housing commissioner's use of state housing authority power; in FY 1980-81, the department used this power to "federalize" two of the largest low-income housing projects in the state, the Beardsley Terrace and Pequonnock housing projects in Bridgeport. With this action, responsibility for funding millions of dollars of operating and rehabilitation costs was transferred from the state to the federal government.

Based on the committee's findings concerning the public benefits of the state's research, planning, coordinating and state housing authority functions and the public need for monitoring and technical assistance activities, the program review committee supports continuation of the state's role in these areas. *The Legislative Program Review and Investigations Committee recommends continuing the state's role in monitoring state-assisted housing projects, providing technical assistance, conducting statewide housing research and planning, and state housing authority activities.*

Separate State Housing Agency

In considering the Department of Housing's cabinet level status, the Legislative Program Review and Investigations

Committee examined the advantages and disadvantages of transferring all department powers and duties to one of several other state agencies as well as the reasons that led to the establishment of a separate housing department in 1979.

The committee first examined the consequences of eliminating the housing department and transferring its functions and staff to the following three agencies: the Department of Economic Development; the Department of Human Resources; and the Office of Policy and Management. The committee found that each organizational alternative offered certain advantages and disadvantages, which are summarized in Figure IV-2. The immediate benefit to establishing a housing division or bureau within any of these agencies would be cost savings from the elimination of the housing commissioner's office.

According to program review committee estimates, annual salary cost savings from eliminating the commissioner, one deputy commissioner, two executive assistants and one executive secretary position would be about \$154,000. One deputy commissioner, an executive assistant and an executive secretary--at an annual cost of about \$85,000--would have to be transferred to manage the unit. It is also likely that the senior affirmative action officer position (estimated annual salary--\$21,000 to \$26,000) should be included, although these functions might be absorbed by existing affirmative action personnel in the host agency.

In the committee's opinion, the overall disadvantage of eliminating the Department of Housing as a cabinet level agency would be the disruption to agency staff and housing program clients that a fourth major reorganization of housing functions in six years would cause. Moreover, the transfer of housing functions to an existing agency would be viewed as downgrading the importance of the state's role in housing.

The Legislative Program Review and Investigations Committee contends that the cost-savings benefits of eliminating the department and transferring its functions to another agency are outweighed by the adverse impact of another restructuring, particularly during a time of critical needs and funding uncertainties. Furthermore, the major reasons for establishing the state housing department in 1979 remain valid. They are:

- the complexity of the state's housing problems;
- the scope and severity of housing needs especially among low-and moderate-income families, the elderly and the handicapped;

Figure IV-2. Summary of Advantages and Disadvantages of Three Alternative Housing Organizations Examined by the Legislative Program Review and Investigations Committee.

Housing Bureau within the Department of Economic Development

Advantages:

- Consolidation of all state development activities in one agency
- Potential for better coordination of state housing programs with state economic development activities, particularly business retention and relocation efforts

Disadvantages:

- The social service aspects of state housing programs (e.g., rent subsidy programs, relocation assistance, landlord-tenant assistance, etc.) are beyond the scope and mandate of the economic development agency
- The clientele served by housing programs (e.g., low-and moderate-income families, the elderly, the handicapped, local housing authorities, nonprofit organizations, etc.) differs substantially from the clientele served by economic development programs (e.g., international and national firms, state business and industry, real estate developers, municipal development agencies, etc.)

Housing Bureau within the Department of Human Resources

Advantages:

- Consolidation of housing production and preservation functions with housing-related social service functions
- Potential for improved integration of services for low-and moderate-income individuals including the elderly and handicapped
- Possible management efficiencies and cost savings through consolidation of planning, accounting, auditing and application processing functions

Disadvantages:

- *Diminished visibility and primacy of housing policy and programs*
- *Potential for reduced attention, administrative support and funding priorities if housing programs are internally competing with other social service programs*
- *Potential for less emphasis on the economic development aspects of housing programs since the Department of Human Resources is primarily a social service agency*

Housing Division within the Office of Policy and Management

Advantages:

- *Possible management efficiencies and cost savings through consolidation of planning functions*
- *Potential for greater emphasis on housing needs during statewide planning and budgeting process*

Disadvantages:

- *The operational aspects of housing programs are beyond the scope and mandate of the statewide policy and management agency*

- the adverse impact of the state's housing market condition on the housing industry and on lower as well as middle-income persons seeking to purchase homes;
- the large amount of state financial resources allocated to housing programs;
- the growing need to coordinate state, federal, local and other resources to increase the supply of housing;
- the need to improve the collection and dissemination of housing information; and
- the need for a housing advocacy function in the state.

Finally, state resources allocated to housing programs remain significant relative to other programs and the total state investment in housing has grown each year. While at the end of FY 1978-79, a total of \$233.6 million had been authorized just for the state's elderly and moderate-rental production programs, the cumulative total reached \$290 million as of July 1, 1982. In each of the past three fiscal years, almost 25 percent of all authorized capital expenditures were earmarked for state housing activities. Given these factors plus the overwhelming support for the agency at the program review committee public hearings, *the Legislative Program Review and Investigations Committee recommends that the Department of Housing be continued as a separate cabinet level agency.*

Connecticut Housing Finance Authority

The Legislative Program Review and Investigations Committee examined one further organizational modification of state housing activities but felt that additional research was required in order to make a recommendation. The committee considered an option to link the Connecticut Housing Finance Authority to the Department of Housing in the same way the Connecticut Development Authority is connected with the Department of Economic Development. The primary difference between this option and the current arrangement is that the commissioner of housing would serve as the chairman of the Connecticut Housing Finance Authority.

At the present time there appears to be some overlap of Department of Housing and Connecticut Housing Finance Authority roles as well as program duplication: both agencies are mandated

to serve low-and moderate-income individuals; both provide financing for multifamily housing development; both receive and use federal Section 8 funding; and both work with private developers, nonprofit organizations and local housing authorities. The major differences seem to be that the Connecticut Housing Finance Authority's programs do not increase the state's level of indebtedness, and that the authority is the primary source of single-family home mortgage assistance for low-and moderate-income persons.

The advantages of the proposal to directly link the two organizations would be: consolidation of all state housing resources and responsibility; increased legislative and executive control over Connecticut Housing Finance Authority programs and policies; and potentially better integration of Department of Housing and Connecticut Housing Finance Authority programs, resulting in improved planning and more efficient allocation of resources.

However, the program review committee contends that several important matters regarding such a consolidation require further study before any such changes can be recommended. For example, the legal ramifications of changing the status of the Connecticut Housing Finance Authority would have to be examined; also, the authority's bond performance relative to that of housing finance authorities in other states, particularly those located in state agencies, should be analyzed. Furthermore, the Legislative Program Review and Investigations Committee believes it is too soon to tell if the current mechanism for linking the Connecticut Housing Finance Authority and the Department of Housing (i.e., the department's present authority to review and approve CHFA's annual operating plan) has been effective. If Department of Housing review and approval of the authority's annual plan is improving coordination of planning and resource allocation as intended, further changes may not be necessary.

Agency Management Structure

During the review of organizational alternatives to the Department of Housing, the program review committee examined the agency's management and administrative structure and found it top-heavy with upper management positions. The department currently has three levels of upper management including the commissioner, the two deputy commissioners, and two department bureau heads. In addition, three executive assistants are assigned to the commissioner and the deputy commissioners. All are involved in developing policy and directing agency administration.

The program review committee contends that more efficient management can be achieved by consolidating the three upper management levels into two. The committee further believes that such a consolidation would produce cost savings without affecting the agency's ability to deliver services.

Therefore, the Legislative Program Review and Investigations Committee recommends that the General Assembly's committee of cognizance and/or the Appropriations Committee take action to collapse the three upper management levels within the Department of Housing, currently comprised of the commissioner, the two deputy commissioners and the two bureau heads, into two levels.

Update of the Three-Year Plan

When the state three-year housing advisory plan was first developed in 1980, a task force was used to obtain input from all elements of the housing constituency. The Legislative Program Review and Investigations Committee found that this mechanism assured a comprehensive approach and broad public participation in the development of state housing policies and programs.

Since the task force approach used to develop the original plan proved to be efficient and effective, the committee believes the same process should be used to develop the statutorily required 1983 plan update. *Therefore, the Legislative Program Review and Investigations Committee recommends that the process for updating the state's three-year housing advisory plan in 1983 include a task force comprised of representatives of the wide range of housing interest groups as well as each of the following state agencies that serve housing constituencies: the Departments of Aging, Economic Development, Human Resources, Housing, Income Maintenance, and the Connecticut Housing Finance Authority.*

The program review committee further recommends that: 1) an analysis of the impact of losing federal Section 8 or similar new construction subsidies on housing production in Connecticut and 2) a range of policy options for addressing this problem be a part of the updated three-year plan.

As a committee analysis revealed, almost all of the multi-family units recently produced through Connecticut Housing Finance Authority and Department of Housing programs have been made affordable to low-and moderate-income persons because of federal subsidies. If federal assistance is not available or is substantially reduced, tenants of units produced in the future will have to pay a greater portion of their income for rents and/or the state may have to provide the subsidies.

Therefore, the program review committee believes it is vital that the governor and the General Assembly be provided with

the ramifications of the elimination of the Section 8 program and the effect this funding loss will have on the Connecticut housing market. In the committee's opinion this information, as well as policy options for dealing with the elimination of the Section 8 program, should be a major focus of the updated three-year housing plan.

Public Housing Waiting Lists

At the time of the committee's sunset review, information on public housing waiting lists and vacancies was not readily available on a statewide basis. The Legislative Program Review and Investigations Committee contends this type of information, in the form of a statewide waiting list, would be useful for Department of Housing planning activities.

For example, this data would improve the department's ability to project public housing needs and establish priorities for future construction projects. The committee also recognizes that the housing department is currently developing a management information system capable of maintaining a statewide waiting list for subsidized rental units. *Therefore, the Legislative Program Review and Investigations Committee recommends that the Department of Housing develop and maintain a statewide subsidized housing waiting list for informational purposes.*

The committee also believes that local housing authorities and other housing managers should maintain a publicly posted and up-to-date list of applicants for the subsidized units they operate. A publicly posted waiting list would allow all applicants to know how many individuals are ahead of them in requesting housing and make it difficult for any person to be advanced to the top of a list without public knowledge of the reason.

Recent legislation, P.A. 82-130, requires municipal housing authorities and other developers of state-assisted housing to provide each applicant with a receipt for admission stating the time and date of application and to keep a list of such applications available for public inspection. The Legislative Program Review and Investigations Committee acknowledges the benefits of P.A. 82-130 but believes even stricter public disclosure requirements are necessary to promote equal access to publicly assisted housing opportunities.

The program review committee recommends that local housing authorities and other housing project operators be required to maintain a publicly posted and updated list of applicants for the subsidized housing they manage. In

addition, the committee recommends that exceptions to the list--moving persons ahead of other applicants on the list--only be permitted in cases of extreme hardship.

State Moderate and Elderly Rental Programs

The Legislative Program Review and Investigations Committee found that present statutes concerning the state elderly rental housing program do not allow for participation by private, for-profit developers although both for-profit and nonprofit developers are eligible for moderate-rental funding. Furthermore, while the elderly rental program provides funding in the form of grants or low-interest loans, the state's moderate-rental program legislation only permits loans.

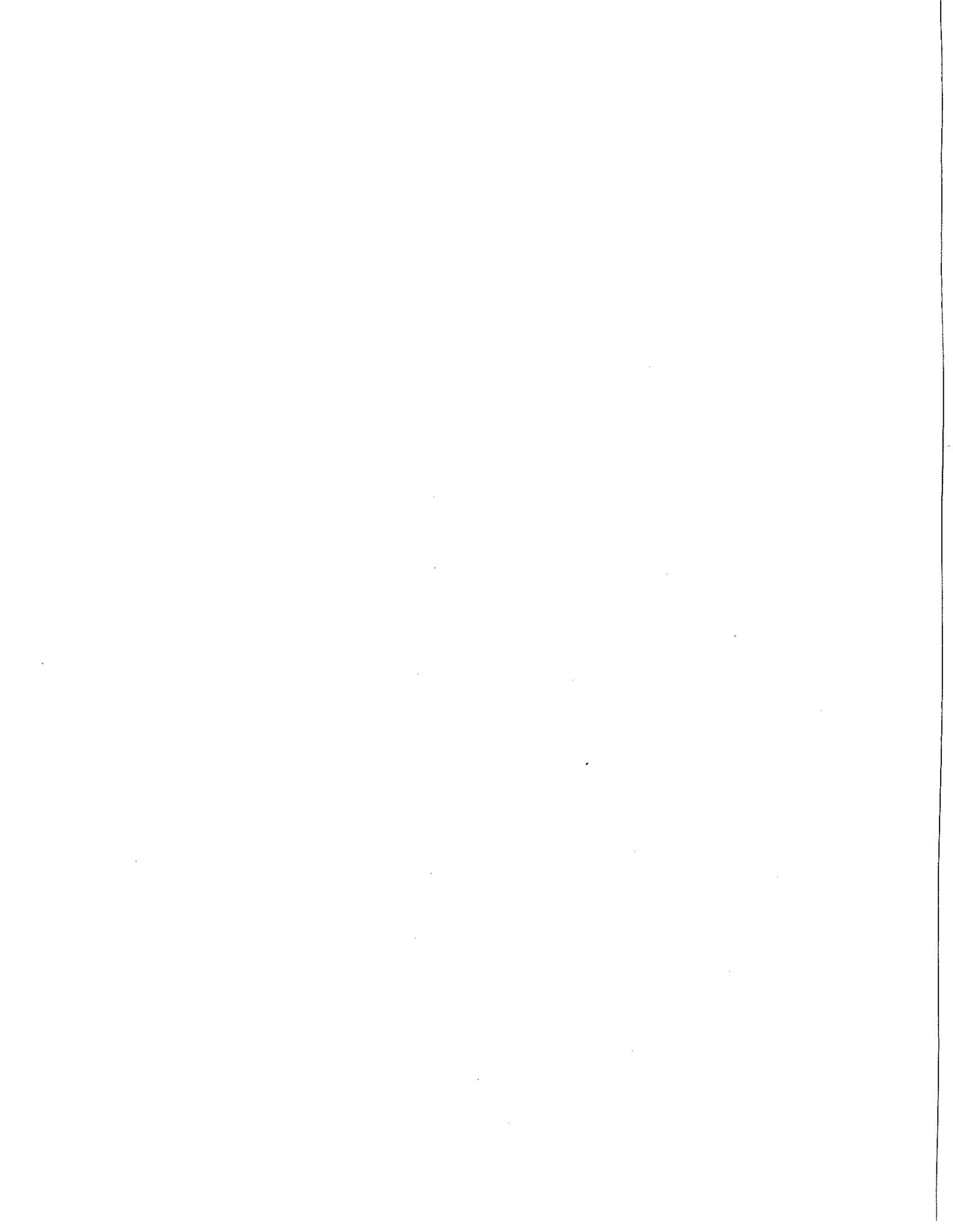
In the committee's opinion, funding mechanisms and developer participation should be parallel for the state's two major production programs. Making the elderly and moderate-rental programs uniform would provide greater flexibility in the ways state funds for these purposes can be used. Expansion of participation in the elderly program to private developers also could facilitate production of state-assisted housing units for senior citizens in municipalities that have not established housing authorities.

In addition, uniform provisions would simplify administration of the two programs. For example, agency forms might be consolidated and department processing procedures might be streamlined. *Therefore, the Legislative Program Review and Investigations Committee recommends that the statutes be amended as follows to make the state elderly and moderate-rental programs parallel: allow for grants as well as low-interest loans under the moderate-rental program and allow for-profit as well as nonprofit developer participation in the elderly rental program.*

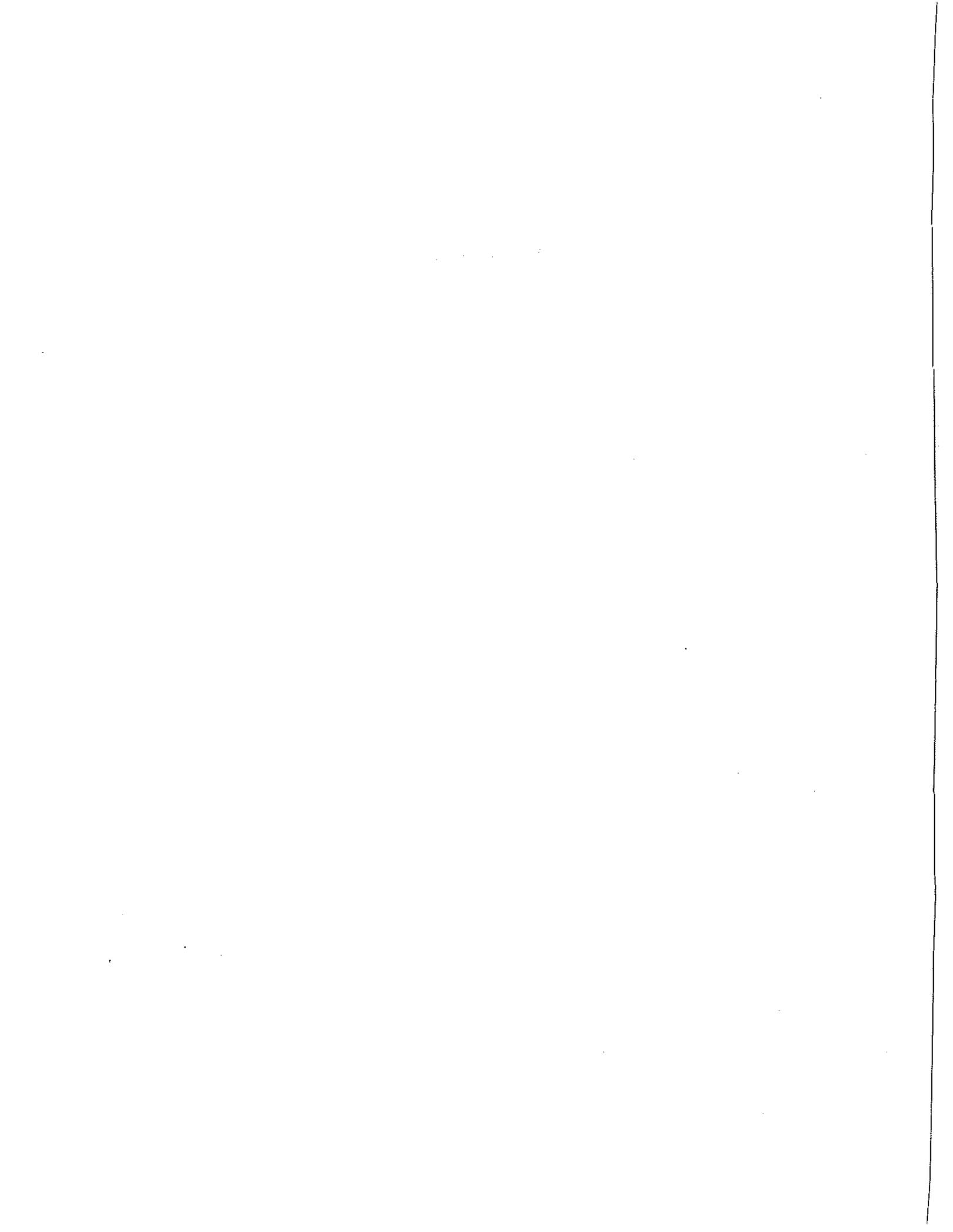
State Housing Policy

The Legislative Program Review and Investigations Committee was concerned that state resources for housing purposes be allocated in an equitable manner. In particular, plans for building future state-assisted elderly and moderate-rental units should be based on data concerning existing and future needs of the groups served by these housing programs. The committee further contends that the Department of Housing should not disproportionately fund one production program over the other; funding allocations should clearly reflect current and projected housing needs.

Thus, the Legislative Program Review and Investigations Committee recommends advocacy, policy and expenditure of all funds for state-sponsored housing occur in a manner that is equitable and proportional to the need of elderly and family households.



APPENDICES



APPENDIX A

Summary Sheet

DEPARTMENT OF HOUSING

ESTABLISHED: 1979 P.A. 598 (Successor agency to the functions, powers and duties of the Department of Economic Development relating to housing, community development, redevelopment and urban renewal.)

STATUTORY REF: C.G.S. Chapter's 127c, 128, 129, 130, 133, 134, 135, 136.

PURPOSE: Coordinate and direct at the state level all aspects of policy, development, redevelopment, preservation, maintenance and improvement of housing and neighborhoods

POWERS AND DUTIES:

- Monitor the progress of the public and private sector toward meeting housing needs and collect and annually publish data on housing production in the state
- Prepare an annual report to the governor, General Assembly and the secretary of the Office of Policy and Management on the condition of the housing market in Connecticut
- Prepare and from time to time amend in conjunction with the Connecticut Housing Finance Authority a three year housing advisory plan which conforms to the plan of conservation and development adopted by the general assembly
- Coordinate housing policy and activities in conjunction with regional planning agencies, regional councils of elected officials, regional councils of government, municipal agencies, housing authorities and other appropriate agencies
- Coordinate the activities and programs of state agencies or quasi-state authorities which have a major impact on the cost, production or availability of housing
- Annually approve a projected 12 month operating plan of the Connecticut Housing Finance Authority

- Act as the designated state agency empowered to hold or originate in the name of the state first and second mortgages on real estate and secondary loans
- Enter into agreements with eligible developers for the building or rehabilitation of moderate or low cost housing
- Approve all housing projects for elderly persons developed in the state where federal or state money is involved
- Encourage the development of independent living opportunities for low and moderate income handicapped and developmentally disabled persons, by making grants in aid to private and nonprofit housing development corporations which are organized for the purpose of expanding independent living opportunities
- May enter into a contract with a municipality or municipal housing redevelopment agency for state financial assistance for a redevelopment or urban renewal project

STAFF:

	<u>Actual</u> <u>1980-81</u>	<u>Estimated</u> <u>1981-82</u>	<u>Appropriated</u> <u>1982-83</u>
General Fund	42	37	37
Special Fund Nonapprop.	67	80	80
Federal	<u>22</u>	<u>39</u>	<u>30</u>
TOTAL	131	156	147

OPERATING BUDGET:

	<u>Actual</u> <u>1979-80</u>	<u>Actual</u> <u>1980-81</u>	<u>Estimated</u> <u>1981-82</u>	<u>Appropriated</u> <u>1982-83</u>
General Fund	\$12,312,468	\$7,619,597	\$6,558,217	\$6,847,444
Special Funds	1,261,576	1,774,824	2,022,892	2,877,154
Nonapprop.				
Federal	<u>2,958,060</u>	<u>4,324,081</u>	<u>5,758,981</u>	<u>8,051,550</u>
TOTAL	\$16,532,104	\$13,718,502	\$14,340,090	\$17,776,148

PERSONNEL SUMMARY

	<u>Actual 1980-81</u>	<u>Appropriated 1981-82</u>	<u>Recommended 1982-83</u>
General fund	42	37	37
Special funds nonappropriated	67	80	80
Federal	<u>22</u>	<u>30</u>	<u>30</u>
TOTAL	131	147	147

Staff Breakdown by Function:

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Administration:			
General fund	27	25	25
Special funds nonappropriated	20	26	26
Federal	0	3	3
Development of Multi-family Housing:			
General fund	6	6	6
Special funds nonappropriated	24	26	26
Federal	22	24	24
Maint. & Mgmt. Multi-family Housing:			
General fund	6	3	3
Special funds nonappropriated	19	23	23
Federal	0	3	3
Mortgage and Loan Program:			
General fund	3	3	3
Special funds nonappropriated	4	5	5

BUDGET-GENERAL FUNDS

	<u>Actual</u> <u>1980-81</u>	<u>Estimated</u> <u>1981-82</u>	<u>Recommended</u> <u>1982-83</u>
General funds	\$7,619,597	\$6,800,057	\$7,034,844

Current Expenses by Function (General Funds)

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Administration:			
Personal services	\$481,545	\$535,055	\$562,956
Other expenses	59,564	60,635	67,205
Development of Multi-family Housing:			
Personal services	138,263	133,244	156,365
Other expenses	14,591	21,900	26,855
Maint. & Mgmt, Multi-family Housing:			
Personal services	125,581	94,623	70,602
Other expenses	3,630	4,705	4,860
Mortgage and Loan Program:			
Personal services	59,987	66,234	65,650
Other expenses	1,413	2,530	2,740
Collective Bargaining/related costs:			
Personal services		24,923	44,611
Emergency housing fund	<u>700,000</u>	<u>0</u>	<u>0</u>
TOTAL	\$1,584,574	\$943,849	\$1,001,844

Payments to Local Governments

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Tax abatement	\$2,738,026	\$2,743,208	\$2,765,000
Payment in lieu of taxes	<u>3,246,997</u>	<u>3,063,000</u>	<u>3,063,000</u>
TOTAL	\$5,985,023	\$5,806,208	\$5,828,000

Payments to Other Than
Local Governments:

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Independent living-handicapped persons	\$50,000	\$50,000	\$50,000
Congregate facilities-operating costs	<u>0</u>	<u>0</u>	<u>155,000</u>
TOTAL	\$50,000	\$50,000	\$205,000

CAPITAL BUDGET:

FY 1980-81 Capital Budget
(in millions of dollars)

<u>Program</u>	<u>Agency Request</u>	<u>Governor's Recommendation</u>	<u>Legislative Authorization</u>
Moderate rental rehabilitation	\$10.0	\$3.0	\$3.0
Moderate rental (production)	15.0	0	5.0
Rental housing for the elderly	10.0	6.0	5.0
Elderly congregate housing	4.0	0	0
Community development corporations	1.5	0	0
Housing site development	1.5	0	0
Neighborhood preservation	2.0	0	0
Downpayment assistance loans	4.0	0	0
Community centers--housing authorities	3.0	0	0
Demonstration projects	1.0	0	0
Elderly housing--inflation adjustment	0	0	3.0
Energy conservation loans	0	0	2.0
TOTAL	\$52.0	\$9.0	\$18.0

FY 1981-82 Capital Budget
(in millions of dollars)

<u>Program</u>	<u>Agency Request</u>	<u>Governor's Recommendation</u>	<u>Legislative Authorization</u>
Moderate rental rehabilitation	\$10.0	\$2.6	\$2.6
Moderate rental (production)	15.0	5.0	5.0
Rental housing for the elderly	10.0	0	2.0
Elderly congregate housing	2.0	0	1.0
Downpayment assistance loans	10.0	.5	.5
Housing site development	2.0	.8	.8
Community development corporations	2.0	.8	.8
Demonstration projects	1.0	0	0
Energy conservation loans	5.0	1.3	5.0
Neighborhood preservation	2.0	0	1.5
Administrative--housing authorities	1.5	0	0
Receivership fund	0	0	.3
Moderate rental--federal (Section 8) funding	0	0	25.0
TOTAL	\$60.5	\$11.0	\$44.5

FY 1982-83 Capital Budget
(in millions of dollars)

<u>Program</u>	<u>Agency Request</u>	<u>Governor's Recommendation</u>	<u>Legislative Authorization</u>
Moderate rental rehabilitation	\$20.0		\$3.0
Rental housing for the elderly	25.0	see footnote # ¹	5.0
Housing site development	2.0		1.0
Neighborhood preservation	5.0		.0
Community development corporations	2.0		1.0
Downpayment assistance	2.0		4.0
Moderate rental (production)	50.0	0	10.5 ²
Energy conservation loans	10.0	1.5	4.0
Community development	0	0	1.0
Urban homesteading	0	0	1.0
TOTAL	\$116.0	\$20.0	\$30.5

¹ A block grant of \$18,500,000 was recommended for all of these programs.

² \$3,000,000 of this amount was authorized for moderate rental housing--federal programs only.

APPENDIX B

SUMMARY OF CURRENT DEPARTMENT OF HOUSING (DOH)
PROGRAMS AND ACTIVITIES

PRODUCTION/PRESERVATION LOANS AND GRANTS

1. Moderate Rental Housing. Low-interest loans are provided to local housing authorities and developers for the construction and/or rehabilitation of rental housing for moderate-income persons and families.

Established: 1947

Funding: \$160.0 million total authorized (as of FY 1981-82)

Output: As of FY 1981-82, 7,227 units in management by 26 local housing authorities; and 290 units planned/under construction

2. Rental Housing for the Elderly. Grants and low-interest loans are provided to local housing authorities for the development of housing for the elderly. Some of these units are intended to meet the special needs of handicapped persons.

Established: 1959

Funding: \$118.6 million total authorized (as of FY 1981-82)

Output: As of FY 1981-82, 132 projects containing 5,150 units completed in 75 municipalities; 24 projects involving over 800 elderly and handicapped units under construction (with completion expected in August 1982); and requests for 1,651 units from 30 municipalities pending

3. Congregate Housing. Grants and low-interest loans are provided to housing authorities, community housing development corporations or other approved corporations for the development of congregate housing for low-income, frail, elderly persons.

Established: 1977

Funding: \$6 million total authorized (as of FY 1982-83)

Output: As of July 1, 1982, 2 projects (72 units) under construction; and 4 projects (123 units) in planning stage

4. Moderate-Rental Housing Rehabilitation. Loans and grants are provided to housing authorities for the renovation of state-assisted moderate-rental housing.

Established: 1967

Funding: \$23.1 million total authorized (as of FY 1981-82)

Output: As of FY 1981-82, 35 authorities and (estimated) 10,000 units served

5. Energy Conservation Loans. Low-interest loans are provided to eligible owner-occupants for the purchase and installation of insulation, alternative energy devices, specified energy devices, and specified energy conservation measures.

Established: 1979

Funding: \$14 million authorized (as of FY 1982-83)

Output: As of August 1982, 4,150 loans involving almost \$9.7 million had been granted.

6. Small Cities Program. As designated lead agency, the department develops and administers the federal Small Cities Community Development Block Grant Program. Grants are made available on a competitive basis for housing development and rehabilitation purposes as well as economic development and other approved activities.

Established: 1981

Funding: \$10.1 million (initial federal allocation)

Output: As of September 1982, department was processing over 55 requests for small cities funding; grant awards expected before the end of the year.

PRODUCTION/PRESERVATION SUPPORT GRANTS AND LOANS

7. Payment-In-Lieu-Of-Taxes (PILOT). Payments are provided to municipalities in lieu of taxes for state-assisted moderate-rental housing in order to assure municipal services without burden.

Funding: \$3,063,000 General Fund expenditures (est. FY 1981-82)

Output: During FY 1981-82 (est.) 26 municipalities received payments for 56 projects involving 8,336 units and about 33,000 tenants.

8. Tax Abatement. Reimbursement is provided to municipalities for taxes abated on low-and moderate-income housing projects for up to \$450 per unit for a 40-year term.
- Funding: \$2,743,208 General Fund expenditures (est. FY 1981-82)
- Output: During FY 1981-82 (est.), 14 municipalities received reimbursement for 83 projects involving 7,479 units (3,548 elderly and 3,880 family).
9. Housing Site Development (HSD). Grants are provided to local housing site development agencies for up to two-thirds of the cost of acquisition and preparation of sites for low-and moderate-income housing.
- Established: (late 1960's)
- Funding: \$12.2 million total authorized (as of FY 1981-82.)
- Output: In July 1982, 11 projects involving 588 units and \$4.25 million were in progress; HSD grants are frequently tied to federal programs such as Section 8, Low Rent Public Housing, and Neighborhood Strategies program. In mid 1980, DOH estimated \$4.9 million in HSD grants assisted in the development of 1,164 units representing over \$100 million in federal and private investment.
10. Community Housing Development Corporations (CHDC). Interest-free loans are provided to locally designated nonprofit housing sponsors to facilitate construction or rehabilitation of low-and moderate-income housing.
- Established: (late 1960's)
- Funding: \$3.3 million total authorized (as of FY 1981-82)
- Output: In July 1982, 9 CHDC projects involving about 320 units and \$1.36 million were in progress; CHDC funds are often used in conjunction with CHFA, federal and private funding. In mid 1980, DOH estimated CHDC loans totaling \$2.2 million aided in producing 1,942 units in 13 municipalities.
11. Neighborhood Housing Services (NHS). Grants are provided to duly organized Neighborhood Housing Service Corporations to aid in capitalizing the local high-risk revolving loan funds.
- Established: (late 1960's)
- Funding: \$300,000 (to be awarded in FY 1982-83)
- Output: As of July 1, 1982, NHS funds had been used to assist about 75 units; NHS programs currently operate in 6 cities.

12. Community Development/Neighborhood Preservation. Grants are provided to municipalities to supplement federal assistance authorized by the Housing and Community Development Act of 1974 (the federal replacement for urban renewal) for housing conservation and rehabilitation, neighborhood preservation or other community development programs. However, since this program is no longer being funded by the federal government, no new community development grant awards are being made.

Under the Neighborhood Rehabilitation Program, which was established in 1979, grants are provided for up to one-third of the cost of federal community development projects that are part of a concentrated neighborhood preservation and revitalization program.

Established: (late 1960's--originally in response to federal urban renewal programs)

Funding: As of FY 1981-82, \$3.5 million authorized for neighborhood rehab. with \$500,000 set aside for joint funding projects authorized under the 1979 state urban action legislation.

Output: Total output data unavailable; regarding neighborhood rehab., DOH estimates this program had assisted in rehabilitation of 400 housing units as of July 1982, in addition to contributing to neighborhood revitalization. In coordination with four other state agencies, DOH has selected four comprehensive neighborhood revitalization projects for funding under the state urban act joint funding projects program.

13. Urban Renewal. Grants were provided to municipalities in amounts up to one-half the nonfederally funded portion of urban renewal project cost. The urban renewal program was replaced by the federal community development program in 1974 (see no. 12, above).

HOME PURCHASE MORTGAGE LOANS

14. Downpayment Assistance (Second Mortgage). Very low-interest loans for up to 25 percent of purchase or purchase/rehab costs are provided to qualified first-time buyers to make downpayment easier for the purchase (and rehabilitation) of housing to be occupied by the borrower.

Established: 1977

Funding: \$10.5 million total authorized (as of FY 1982-83)

Output: As of August 1982, loans totaling over \$6.6 million had been provided to 833 low-and moderate-income households.

15. Sale of Moderate Rental Housing. Low-interest mortgages are provided to tenants or other qualified buyers to purchase state-assisted moderate-rental housing.

Funding: (debt transfer)

Output: Currently, DOH is involved in the sale and financing of 103 units and all but 24 have been sold.

16. DOH Homeownership Programs (Moderate Cost Sales and Flood Housing Program).

The Moderate Cost Program made state mortgage loans to World War II veterans and other citizens beginning in the late 1940's. The Flood Housing Program provided mortgage loans to victims of the 1955 flood. Loans under the two programs totaled 6,427 and were worth nearly \$64,500,000. Both programs have been inactive for many years. As of July 31, 1982, all but about \$545,000 of the original mortgage amounts had been repaid to the state.

RENTAL SUBSIDIES

Federal Section 8 Housing Assistance Payments (HAP) Programs. Under the Section 8 HAP programs, the federal government makes up the difference between what lower-income households can afford and what the U.S. Department of Housing and Urban Development has established as the fair market rent for an adequate housing unit. The contribution toward monthly rent made by the tenants who meet Section 8 income limits is set at 25 percent or less of their monthly income; very low-income tenants pay 15 percent or less.

There are three types of Section 8 programs: Moderate Rehabilitation; Substantial Rehabilitation and New Construction; and Existing. Rent subsidies are provided under each program although under the first two, the federal assistance payments are made to developers/operators of new units produced for and occupied by Section 8 eligible tenants. Under the Existing program, landlords of existing units receive federal payments to subsidize the rents of tenants found eligible for Section 8 rent certificates.

The state's allocation of Moderate Rehabilitation and Substantial Rehabilitation/New Construction is jointly administered by DOH and CHFA. Under Section 8 Moderate Rehab, federal subsidy payments are provided to property owners who agree to rehabilitate their units and rent them to low-income persons or families; under Section 8 Substantial Rehab/New Construction, rent subsidies are available for eligible low-and moderate-income persons who reside in developments constructed or rehabilitated under this federal program.

The state allocation from the U.S. Department of Housing and Urban Development for Section 8 Existing payments is administered by the Department of Housing. About 10,000 households statewide currently receive Section 8 Existing rent subsidies. The department distributes the federal rent subsidy funding to local housing program operators and at present, also provides an estimated \$200,000 per month in Section 8 Existing rent subsidies to over 1,100 households in about 70 communities that lack the resources necessary to administer the program. DOH field offices administering the Existing program for these communities are located in Brooklyn, Hartford, Torrington and Westbrook.

TECHNICAL ASSISTANCE AND RESEARCH ACTIVITIES

- Management Services. Administrative, fiscal, design, review, construction, maintenance and insurance advisory assistance is provided to housing authorities, and state-assisted housing sponsors and developers. Reviews and guidance are provided for the administration of approximately 13,500 dwelling units completed under the Elderly and Moderate-Rental Housing Programs.
- Accounting Assistance. Budgetary internal control is provided through book-keeping and accounting assistance to municipalities and other recipients of financial assistance through the department.
- Uniform Relocation Assistance Act. Technical assistance is provided, relocation plans are reviewed, regulations and procedures are developed, and administrative hearings are held, to ensure fair and equitable treatment of persons displaced by a state agency or by an improvement program conducted under government supervision.
- Housing Code Enforcement. Technical assistance is provided to encourage the adoption and the enforcement of municipal housing codes.
- Housing Information Service. Questions concerning tenant-landlord issues and other housing matters are referred to the department through the Governor's State Information Bureau.
- Policy and Planning. As mandated by the legislature, the department annually publishes data on housing production and a report on the condition of the housing market in the state. The department, with the Connecticut Housing Finance Authority, has prepared a three-year housing advisory plan that will be periodically updated and monitored for its implementation. Research is conducted on housing issues. Housing and community development legislation is reviewed and developed.

OTHER ACTIVITIES AND PROGRAMS

- Condominium Conversion Program. In accordance with P.A. 81-319 and P.A. 82-356, developers of condominium conversions must file with the Department of Housing, and must show relocation plans for nonpurchasing tenants in the public offering statement. DOH provides an informative workshop for those persons counseling tenants affected by conversion.

- Housing Receivership Revolving Fund. As mandated by P.A. 81-370, the superior court may authorize resorting to this fund, maintained by the commissioner of housing, provided the following conditions are met:
 - 1) the structure contains not more than 20 dwelling units;
 - 2) the combined amount of money available from rents and local sources is not sufficient; and
 - 3) the anticipated average expense per dwelling unit from the fund is not in excess of \$5,000.

- Emergency and Temporary Housing. In times of emergency, such as the state flood disaster in June 1982, DOH staff stands prepared to assist victims with temporary housing and relocation plans.

- Housing for the Handicapped and Developmentally Disabled (HHDD). The HHDD Program has provided a total of \$150,000 in administrative funds (\$50,000 in fiscal years 1980-81, 1981-82 and 1982-83) to the Corporation for Independent Living, an umbrella organization for various local nonprofit groups that produce housing accommodations for developmentally disabled and handicapped persons. The Corporation for Independent Living provides consulting and advisory services to local groups and it has been successful in securing federal funding for more than 100 units of such housing.

APPENDIX C

LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

SUNSET 1983

Questionnaire for Central Housing Advisory Committee

17 surveys were mailed out and 12 were returned for a response rate of 70.5%.

This questionnaire has been constructed to elicit information about the Connecticut Department of Housing. Please feel free to provide additional comments on either specific questions or the department's activities in general. Any comment may be included directly on the questionnaire or in a separate attachment.

N=12

I. In your opinion how important is it that the Department of Housing play a role in each of the following areas? Please rate the department's role on a scale from 1 to 4, with 1 = very important and 4 = not important. If you feel that the Department of Housing should not be involved in a specific function please select option 5. (Circle your answer.)

	Very Important			Not Important	Should Not Be Involved
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
A. The increased production of:					
1. Low income housing	9	2	0	1	0
2. Moderate income housing	9	2	1	0	0
3. Elderly housing	6	5	1	0	0
4. Handicapped housing	6	5	1	0	0
5. Single family dwellings	5	6	0	0	1
6. Multi-family dwellings	8	4	0	0	0
B. Increasing affordable housing opportunities through rent subsidies	6	5	1	0	0
C. Increasing opportunities for single family home ownership through mortgage assistance	5	6	1	0	0
D. Overseeing compliance by grantees or other recipients of state funding with DOH affirmative action requirements	6	2	4	0	0
E. Providing technical assistance on grant administration procedures to local housing authorities	4	4	3	1	0
F. Providing technical assistance on accounting procedures to local housing authorities	5	2	4	1	0

	Very Important		Not Important		Should Not Be Involved
	1	2	3	4	5
G. Overseeing the operation of the Connecticut Housing Finance Authority	4	4	0	2	2
H. Preparing and updating the state's three year housing advisory plan	9	0	3	0	0
I. Conducting research and providing information on all housing matters in the state	8	3	1	0	0
J. Coordinating local, state and federal housing activities	7	3	2	0	0
K. Coordinating private sector housing activities	5	2	2	1	2
Other (please specify) <u>Reduce housing production costs; comprehensive planning; lobby at legislature for all housing related bills; provide information to prevent exclusionary zoning practices.</u>	4				

II. On a scale from 1 = very effective to 4 = not effective, how would you rate the performance of the Department of Housing in the following activities? Please rate every activity. If you feel the Department of Housing is not involved in a particular activity, indicate this by choosing option number 5. (Circle your answer.) N=12

	Very Effective		Not Effective		Not Involved
	1	2	3	4	5
A. The increased production of:					
1. Low income housing	2	5	3	1	1
2. Moderate income housing	2	9	1	0	0
3. Elderly housing	8	4	0	0	0
4. Handicapped housing	4	2	5	0	0
5. Single family dwellings	2	1	4	3	1
6. Multi-family dwellings	3	4	4	0	0
B. Increasing affordable housing opportunities through rent subsidies	2	5	2	1	1
C. Increasing opportunities for single family home ownership through mortgage assistance	4	6	2	0	0
D. Overseeing compliance by grantees or other recipients of state funding with DOH affirmative action requirements	2	4	2	2	1

	Very Effective		Not Effective		Not Involved
	1	2	3	4	5
E. Providing technical assistance on grant administration procedures to local housing authorities	3	4	1	0	1
F. Providing technical assistance on accounting procedures to local housing authorities	2	2	3	0	1
G. Overseeing the operation of the Connecticut Housing Finance Authority	1	0	4	3	3
H. Preparing and updating the state's three year housing advisory plan	2	4	5	1	0
I. Conducting research and providing information on all housing matters in the state	5	2	4	1	0
J. Coordinating local, state and federal housing activities	1	5	5	0	1
K. Coordinating private sector housing activities	1	0	2	5	3

Other (please specify) Cutting unnecessary local requirements; comprehensive planning.

N=12

III. Do you feel that the Department of Housing's effectiveness is impeded by any of the following? (Answer each item.)

<u>2</u>	Yes	<u>9</u>	No	Unclear or conflicting statutory mandates
<u>5</u>	Yes	<u>7</u>	No	Lack of statutory authority
<u>10</u>	Yes	<u>2</u>	No	Lack of staff
<u>11</u>	Yes	<u>1</u>	No	Insufficient funding to implement programs mandated by the legislature
<u>3</u>	Yes	<u>8</u>	No	Inadequate public participation
	Yes		No	Other <u>Need more line staff; lack of communication; lack of leadership by commissioner.</u>

IV. In your opinion what would be the major consequence(s) if the Department of Housing were terminated? (For the purpose of tabulating responses similar answers have been grouped together.) N=11

8 - The termination of the Department of Housing would be extremely detrimental to the people of Connecticut and would negatively impact the economy of the state.

1 - The production of affordable housing would cease and current state licensed public housing would either deteriorate completely or be sold as condominiums. Housing for the poor, near poor and the moderate income would become a thing of the past.

1 - The state would lose implementation of the remainder of the three year plan and potential for better legislation at the General Assembly.

1 - If the Department of Housing was terminated the consequence would be minor.

N=11

V. If the Department of Housing does not continue as a separate agency, which of the following organizational alternatives do you feel would be best for carrying out housing activities and programs? (Please select one option.)

1 Housing Division within the Office of Policy and Management

2 Housing Division within the Department of Economic Development

0 Housing Division within the Department of Human Resources

1 Transfer responsibility and resources for all programs to local governments, but establish a statewide council to coordinate activities

7 Other (please specify) 6 - Need a separate department; 1 - none of the above but perhaps a sub-cabinet level bureau reporting directly to the governor.

N=11

VI. In your opinion, what have been the most important areas where the Central Housing Advisory Committee has given advice to the Department of Housing and what were the outcomes.

1 - Lobby for the establishment of the Department of Housing.

8 - Help prepare the three year housing plan.

1 - Help plan the annual housing conference.

1 - Offer advice to the commissioner on what the local communities are asking help on concerning housing matters.

1 - Some of the advice that was offered during the preparation of the three year plan was not taken.

2 - The three year plan should have advocated for eliminating exclusionary zoning practices.

2 - A great deal of the advice offered during the preparation of the three year plan was followed.

APPENDIX D

Legislative Changes Needed to Implement the Legislative Program Review and Investigations Committee's Recommendations

- Amend Sections 8-45, 8-72 and 8-116a of the Connecticut General Statutes to require the operators of state-assisted housing projects to maintain publicly posted and up-to-date lists of applicants for the units they manage.
- Amend Sections 8-69 and 8-70 of the Connecticut General Statutes to allow for funding in the form of grants under the state moderate-rental housing programs.
- Amend Section 8-114a of the Connecticut General Statutes to allow participation by private, for-profit developers in the state rental housing for the elderly program.

