

File No. 664

(Reprint of File No. 197)

Substitute House Bill No. 5236
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 2, 1998

AN ACT CONCERNING LIMITS FOR MODERATE RENTAL HOUSING AND AUTHORIZING THE TRANSFER OF RICE HEIGHTS.

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

1 Section 1. Section 8-72a of the general
2 statutes is repealed and the following is
3 substituted in lieu thereof:

4 (a) THE MAXIMUM INCOME LIMITS UNDER SECTION
5 8-72 SHALL BE EIGHTY PER CENT OF THE AREA MEDIAN
6 INCOME ADJUSTED FOR FAMILY SIZE.

7 (b) NOTWITHSTANDING THE PROVISION OF
8 SUBSECTION (a) OF THIS SECTION, EACH DEVELOPER OR
9 HOUSING AUTHORITY MAY PROPOSE DIFFERENT MAXIMUM
10 INCOME LIMITS. In fixing EXCEPTIONS TO maximum
11 income limits under section 8-72, the Commissioner
12 of Economic and Community Development shall take
13 into consideration (1) the latest average wage as
14 computed by the Labor Commissioner for the city or
15 town served by the authority, (2) the number of
16 vacancies in the projects under the authority's
17 control, (3) the number of applications for
18 admission to tenancy or for continued occupancy
19 which are refused because of income
20 disqualification and (4) the latest area median

21 income, as determined by the United States
22 Department of Housing and Urban Development.

23 Sec. 2. (NEW) Notwithstanding any other
24 statute to the contrary, the Department of
25 Administrative Services may administer a master
26 property and casualty insurance program for state
27 funded and federally funded housing units
28 operating under the jurisdiction of local housing
29 authorities. The department may charge the housing
30 authorities a reasonable fee to provide for the
31 administrative costs of the program.

32 Sec. 3. (a) The Housing Authority of the City
33 of Hartford may transfer to the Commissioner of
34 Economic and Community Development, and the
35 Commissioner of Economic and Community Development
36 may accept from the Housing Authority of the City
37 of Hartford, the premises and buildings comprising
38 the housing development known as Rice Heights. The
39 commissioner may operate and manage Rice Heights.
40 As consideration for such transfer, the state
41 shall cancel the outstanding note and mortgage,
42 including principal, interest and late charges,
43 owed by the Housing Authority of the City of
44 Hartford to the state with respect to Rice
45 Heights. The state shall hold the Housing
46 Authority of the City of Hartford harmless for any
47 claims, causes of action or liability arising from
48 the operation of Rice Heights by the state after
49 such transfer. The Housing Authority of the City
50 of Hartford shall hold the state harmless for any
51 claims, causes of action or liability arising from
52 the operation of Rice Heights by the Housing
53 Authority of the City of Hartford.

54 (b) The commissioner may plan for and carry
55 out the demolition or renovation of the existing
56 buildings on the premises of Rice Heights or the
57 construction of new buildings on said premises.

58 (c) The commissioner shall plan for and carry
59 out the development of housing on the premises of
60 Rice Heights.

61 (d) The commissioner may select a developer or
62 developers to carry out all or a part of the
63 provisions of this section, on a competitive
64 basis, from proposals solicited and submitted
65 before or after the effective date of this
66 section.

67 (e) The commissioner may sell any housing
68 units developed at Rice Heights under this section

69 only to eligible families who meet minimum
70 qualifying standards, subject to deed restrictions
71 approved by the commissioner and in compliance
72 with the provisions of this section. Families
73 living in Rice Heights prior to demolition or sale
74 shall have priority for purchase or rental of all
75 units, and no unit shall be sold or rented to any
76 other family unless the commissioner determines
77 that there are no families who lived in Rice
78 Heights prior to demolition or sale who desire and
79 qualify to purchase or rent such units. The
80 commissioner shall assist such families,
81 regardless of income, to meet all qualifying
82 conditions for purchase or rental of such units,
83 including, but not limited to, (1) linking
84 families to public or private mortgage and down
85 payment assistance programs, (2) adjusting
86 interest rates and minimum payment requirements so
87 as to make instalment payments affordable to
88 eligible families who wish to purchase or rent,
89 (3) providing direct mortgage assistance, (4)
90 providing state or federal rental assistance, and
91 (5) engaging in other actions so as to make it
92 possible for any family living in Rice Heights
93 prior to demolition or sale to purchase or rent a
94 unit. If the number of families desiring to
95 purchase or rent a unit is greater than the number
96 of units available, the commissioner may devise an
97 equitable system, by lottery or otherwise, for
98 determining which families shall be permitted to
99 purchase or rent, provided such system shall not
100 be based on the family's employment status or
101 amount of income, subject to the provisions of
102 subsection (f) of this section. If there is an
103 insufficient number of eligible families who wish
104 to purchase or rent units on the land that is
105 subject to this section, the commissioner may
106 permit the purchase or rental of such units by
107 persons who meet the initial occupancy standards
108 for admission to moderate rental housing, but who
109 did not previously reside in Rice Heights. As used
110 in this subsection, (A) "eligible families" means
111 low or moderate income families who lived in Rice
112 Heights within the four years prior to the
113 acquisition of title by the commissioner under
114 this section, and (B) "minimum qualifying
115 standards" means (i) family income from all
116 sources which, when combined with the assistance

117 that the commissioner is required to provide
118 pursuant to this section, is sufficient to pay the
119 monthly mortgage and other costs of housing
120 developed at Rice Heights under this section,
121 taking into consideration any reduction in such
122 costs which arise from assistance required to be
123 provided pursuant to this subsection, and (ii)
124 commitment to participating in an ownership
125 program. If, after fully providing the assistance
126 required under this subsection to an eligible
127 family, such family is unable to obtain financing
128 to purchase a housing unit developed under this
129 subsection due to lack of credit worthiness, the
130 commissioner may sell such housing unit to another
131 eligible family selected pursuant to the
132 provisions of this subsection.

133 (f) For the purposes of this section, deed
134 restrictions approved by the commissioner shall
135 require for thirty years that (1) at the time of
136 purchase by or rental to each new owner or tenant
137 family, the owner or family shall be a family of
138 low and moderate income, as defined in section
139 8-39 of the general statutes, and eligible for
140 admission to moderate rental housing pursuant to
141 part II of chapter 128 of the general statutes,
142 (2) the resale price of the premises shall be
143 limited to their original purchase price, adjusted
144 for inflation and improvements to the premises, as
145 determined by the commissioner, and (3) the rental
146 price for each rental unit shall not exceed the
147 current fair market rents for the area established
148 by the United States Department of Housing and
149 Urban Development.

150 (g) The commissioner may lease, convey or
151 grant a license for the premises for the purpose
152 of carrying out the provisions of this section.

153 (h) Notwithstanding the provisions of chapters
154 59 and 60 of the general statutes and subject to
155 all other provisions of the general statutes, the
156 commissioner may, within available appropriations,
157 bond authorizations and bond fund consolidations,
158 do all things necessary to carry out the
159 provisions of this section, including, but not
160 limited to, (1) entering into contracts and
161 agreements for the provision of services, (2)
162 securing federal funds or program participation,
163 (3) providing for relocation and rehousing
164 assistance in accordance with the uniform

165 relocation assistance act and other applicable
166 laws regarding the displacement of tenants, (4)
167 establishing a moratorium on rents, as the
168 commissioner deems necessary or appropriate, and
169 (5) providing for the payment or reimbursement to
170 the Department of Economic and Community
171 Development for the administrative expenses of
172 such department in carrying out the purposes of
173 this section.

174 Sec. 4. This act shall take effect from its
175 passage, except that sections 1 and 2 shall take
176 effect July 1, 1998.

* * * * *

"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER SHB 5236

STATE IMPACT	Gain of Asset Value, Future Costs, see explanation below
MUNICIPAL IMPACT	Loss of Asset Value, Cost/Savings (Housing Authorities), see explanation below
STATE AGENCY(S)	Department of Economic and Community Development, Department of Administrative Services

EXPLANATION OF ESTIMATES:

STATE IMPACT: The passage of this bill would result in no net fiscal impact to the Department of Administrative Services (DAS). The bill would statutorily authorize DAS to administer a master property and casualty insurance program for state and federally funded housing units operating under the jurisdiction of local housing authorities. DAS would be allowed to charge a reasonable fee to cover its administrative costs.

DAS has been administering this insurance program for state funded housing units since July 1, 1997, per a memorandum of understanding with DECD. Under this agreement, DECD provided 2 employees and \$253,000 to DAS to administer the program for FY 98 and FY 99. Thus, DECD would save the cost of the grant to DAS. DAS indicates that its administrative costs are about \$1.10 per unit per month. There are about 15,000 state-funded moderate rental housing units. The actual insurance costs are about \$10 per unit per month. On July 1, 1999, DAS would begin charging the local housing authorities for their administrative costs.

The transfer of Rice Heights would result in a gain of asset value and minimal cost to the State. The bill requires DECD to plan and carry out the development of housing on the premises, within available appropriations, therefore, the bill is not expected to have an immediate fiscal impact. However, it should be noted that complying with the provisions of the bill will result in additional costs which cannot be handled within the agency's anticipated budgetary and capital resources, therefore, there will be a need to increase the level of funding in the future.

Housing Authorities:

Since the Housing Authorities would have to pay for administrative expenses, additional costs would result. The extent of the additional costs would vary by municipality, as it is contingent upon the number of federal and state moderate rental units that are located in each municipality.

It should be noted, however, that the current cost for this master insurance policy is about \$10.00 per unit per month. If each local Housing Authority were to obtain its own insurance coverage, it is estimated that the cost would be about \$40.00 per unit per month. Thus, the current program is saving about \$30.00 per unit per month.

This bill would result in the local Housing Authorities financing DAS's administrative costs. While local Housing Authorities would incur an additional cost of about \$1.10 per unit per month, they would continue to receive savings of about \$28.90 per unit per month. This results in annual savings to the local Housing Authorities of about \$5.2 million.

The transfer of Rice Heights is expected to result in a loss of asset value to the Hartford Housing Authority.

Since the debts and liabilities of a Housing Authority are not those of the municipality, the passage of this bill is not expected to have a direct fiscal impact on the municipality within which the housing authority is located.

House "A" added the provision related to the transfer

of Rice Heights from the Hartford Housing Authority to the Commissioner of Economic and Community Development.

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OLR AMENDED BILL ANALYSIS

sHB 5236 (as amended by House "A")*

AN ACT CONCERNING LIMITS FOR MODERATE RENTAL HOUSING

SUMMARY: The bill authorizes the Hartford Housing Authority to transfer the premises and buildings known as Rice Heights to the Department of Economic and Community Development (DECD) commissioner and allows him to accept the transfer and operate and manage the property. It also requires him to give families living in Rice Heights, immediately prior to its demolition, priority in renting or buying a new unit.

The law allows the DECD commissioner to set maximum income limits for tenants of moderate rental housing. If he sets the limits, this bill requires him to set a maximum limit of 80% of the area's median income adjusted for family size. Under current law, he must set the limit by taking into consideration criteria about wages, income, and vacancies. The bill allows developers of moderate rental housing or housing authorities to propose a different maximum income limit for their rental units. In establishing these exceptions, the bill requires the commissioner to take into consideration the criteria current law requires him to consider in setting maximum income limits. The criteria are (1) the latest average wage computed by the labor commissioner for the applicable town, (2) the number of vacant units in the authority's projects, (3) the number of applications for admission or continued occupancy refused because of income, and (4) the latest area median income determined by the United States Department of Housing and Urban Development.

The bill authorizes the Department of Administrative Services to (1) administer a master property and casualty insurance program for state and federally funded housing units operated by local housing authorities and (2) charge the authorities a reasonable administration fee.

*House Amendment "A" adds the Rice Heights provisions.

EFFECTIVE DATE: July 1, 1998, except for the Rice Heights provisions which are effective upon passage.

FURTHER EXPLANATION

Rice Heights

The bill requires the state as consideration for the transfer to cancel the outstanding note and mortgage, including principal, interest, and late charges owed by the Hartford Housing Authority to the state for Rice Heights. The state must hold the Housing Authority harmless for any claims, causes of action, or liability arising from the state's operation of Rice Heights after the transfer. Likewise the Hartford Housing Authority must hold the state harmless for any claims, causes of action, or liability arising from its operation of Rice Heights.

The bill allows the DECD commissioner to plan and carry out demolition or renovation of the existing buildings and requires him to develop housing on the premises. It allows him to select a developer on a competitive basis from proposals solicited and submitted before the bill's effective date. The commissioner may lease, convey, or grant a license for the premise.

Eligible Families. The bill allows the commissioner to sell housing units developed at Rice Heights to eligible families who meet minimum qualifying standards, subject to deed restrictions approved by him. An eligible family is a low or moderate income family who lived at Rice Heights within the four year period before the commissioner took title. The bill defines minimum qualifying standards as (1) family income from all sources which when combined with DECD assistance is sufficient to pay the monthly mortgage and other housing costs and (2) a commitment to participate in the ownership program.

The bill gives families living in Rice Heights immediately prior to its demolition or sale priority in purchasing or renting a new unit. It prohibits DECD from renting or selling a unit to any other family unless the commissioner determines that there are no such families who desire and qualify to purchase or

rent a unit.

The bill requires the commissioner to assist such families, regardless of income, to qualify by (1) linking them to public or private mortgage and down payment assistance programs, (2) adjusting interest rates and minimum payment requirements so that installment payments are affordable, (3) providing direct mortgage assistance, (4) providing state or federal rental assistance, and (5) taking any other action which would make it possible for them to qualify. The bill allows the commissioner to sell a unit to another eligible family if after fully providing this assistance a family is unable to obtain financing due to lack of credit worthiness.

The bill authorizes the commissioner to develop a system to determine which families will be permitted to purchase or rent a unit if the number of families desiring to do so is greater than the available units. The system cannot be based on the families' employment status or income. If there are not enough families interested in purchasing or renting these units, the commissioner may allow people who did not live at Rice Heights but who meet the state's initial occupancy standards for admission to moderate rental housing to purchase or rent them.

Deed Restrictions. Under the bill, the deed restrictions approved by DECD must be for 30 years and require that (1) at the time of purchase or rental the new owner or family be of low or moderate income and eligible for admission to the state's moderate rental housing program, (2) the resale price be limited to the original purchase price adjusted for inflation and improvements as determined by the commissioner, and (3) the rental price not exceed the current fair market rents for the area set by the U.S. Department of Housing and Urban Development.

DECD Authority. The bill allows the commissioner within available appropriations, bond authorizations, and bond fund consolidations to do all things necessary to carry out its provisions, regardless of the state property sale, transfer, construction, and modification laws. This may include (1) making contracts and agreements to provide services, (2) securing federal funds or program participation, (3) providing relocation and rehousing

assistance required under state law, (4) setting a rent moratorium, and (5) paying or reimbursing DECD for its administrative expenses.

BACKGROUND**Legislative History**

On April 8 the House referred the bill (File 197) to the Government Administration and Election Committee which reported it unchanged on April 16.

COMMITTEE ACTION

Select Committee on Housing

Joint Favorable Substitute Change of Reference
Yea 10 Nay 0

Planning and Development Committee

Joint Favorable Report
Yea 19 Nay 0

Government Administration and Elections Committee

Joint Favorable Report
Yea 19 Nay 0