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sSB-12
AN ACT CONCERNING CONNECTICUT'S HOUSING NEEDS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 $	FY 27 $
Treasurer, Debt Serv.	GF – Cost	See Below	See Below
Connecticut Housing Finance Authority (CHFA)	CHFA - Potential Cost	See Below	See Below
Department of Housing	GF – Cost	8.7 million	See Below

Note: GF=General Fund; CHFA=Resources of CHFA

Municipal Impact:

Municipalities	Effect	FY 26 $	FY 27 $
Various Municipalities	Precludes Potential Revenue Gain	See Below	See Below
Various Municipalities	Potential Savings	See Below	See Below
Various Municipalities	Potential Cost	See Below	See Below
Various Municipalities	Potential Revenue Gain	Minimal	Minimal
Various Municipalities	Grand List Increase/Decrease	None	See Below

Explanation

The bill (1) authorizes $50 million in new General Obligation (GO) Bonds, (2) appropriates $8.7 million to DOH in FY 26 for new Rental Assistance Program (RAP) certificates, (3) requires municipalities to form or join a fair rent commission which results in a potential cost to various municipalities beginning in FY 26, (4) increases the reimbursement rate for certain school construction projects which results in a potential increase in revenue to some municipalities and a potentially precludes revenue gain to other municipalities beginning in

FY 26, (5) prohibits municipalities from reevaluating certain properties for three years which results in a potential impact to the grand list, potential savings, and a potential revenue gain to various municipalities beginning in FY 27, and (6) expands a homeownership program administered by the Connecticut Housing and Finance Authority (CHFA) resulting in a potential cost to CHFA's own resources beginning in FY 26.

The following describes these impacts in more detail by section.

Section 1 creates a working group to study existing barriers to the construction of starter homes, which does not result in a fiscal impact as the group has the capacity and expertise to meet the requirements of the bill.

Section 2 increases the reimbursement rate for some school construction projects if the project is within a municipality that the Commissioner of Housing has determined meets the bill's affordable housing thresholds. To the extent projects qualify for the reimbursement increase and such projects are proposed, approved, and completed, there would be increased costs to the state[1] and increased revenue to involved municipalities. The impact of the increased reimbursements for future projects on the school construction priority list will be reflected when such projects are considered by the legislature in the future.

Sections 3 and 4 authorize $50 million in General Obligation bonds for the purpose of financing approved projects to create employment opportunities in the construction industry to develop affordable housing, to be administered by the Department of Housing. To the extent bonds are fully allocated when available, total debt repayment is anticipated to be approximately $71.5 million over the 20-year duration of the bonds, with the earliest annual payment of up to $2.5 million

[1] These are paid by currently authorized General Obligation bonds, leading to an increase in General Fund debt service.

possible in FY 27.

Section 5 prohibits landlords for charging a tenant for utilities if such utilities are not separately metered, which does not result in a fiscal impact as the state is not a direct residential landlord.

Section 6 requires all municipalities to adopt an ordinance creating a fair rent commission by January 1, 2028. This may result in a cost to municipalities beginning in FY 28 to the extent they do not already have a fair rent commission.[2] The bill allows two or more municipalities to form a joint fair rent commission which may reduce any cost associated with this provision.

Section 7 requires municipalities that exercise zoning powers under CGS 8-2 to adopt regulations allowing the conversion or partial conversion of commercial buildings into residential developments as of right and prohibits municipalities from conducting a revaluation on these properties for at least three years. This may result in a grand list increase or decrease beginning in FY 27 that is dependent on how the buildings would have otherwise been used and valued.

This may also result in a potential savings to municipalities beginning in FY 26 associated with a fewer number of public hearings since as of right developments do not require a public hearing. This section may result in a potential cost to municipalities beginning in FY 26 associated with (1) developing the application and review process for these conversion projects and (2) additional resources to approve these projects. There is also a potential revenue gain to municipalities to the extent more building permits are issued.

Section 8 expands a CHFA homeownership program under CGS 8-286 by allowing CHFA to lower mortgage rates for borrowers with eligible student loan debt. The cost of the program is contingent upon

[2] This provision should only impact municipalities with a population of less than 25,000 as current law already requires municipalities with a population of 25,000 or more to have a fair rent commission by July 1, 2023.

the provision of a funding source for the loan subsidy.[3]

While there are no bond fund authorizations specific to the proposed program, there are several bond-funded housing programs that may be used for the purpose described. Should those existing authorizations be used for this program, future General Fund debt service costs may be incurred sooner under the bill to the degree that it causes authorized GO bond funds to be expended or to be expended more rapidly than they otherwise would have been. The bill does not change GO bond authorizations available for this program.

Sections 9 and 10 appropriate a total of $8.7 million in FY 26 to the Department of Housing (DOH) for at least 700 new Rental Assistance Program (RAP) certificates. These certificates will be administered by DOH's vendor, J. D'Amelia & Associates (JDA).[4]

This cost is likely to continue into FY 27 and beyond. DOH typically does not remove households from the RAP program unless the household is no longer eligible for the RAP certificate.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the terms of any bonds issued.

Sources: https://portal.ct.gov/doh/doh/programs/rental-assistance-program#:~:text=In%20general%2C%20the%20family's%20income,by%20location%20throughout%20the%20state.

[3] CHFA is a quasi-public authority that issues its own federally tax-exempt and taxable mortgage revenue bonds. The authority pays its operating expenses using funds derived from the excess of interest income from loans over bond interest expenses.
[4] DOH compensates JDA through a monthly fee (currently $48) for each unit under administration. These RAP admin fees totaled $3,757,056 in FY 24.