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## OLR Bill Analysis

### SB 12

#### **AN ACT CONCERNING CONNECTICUT'S HOUSING NEEDS.**

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*Appropriates to DOH from the General Fund for FY 26 (1) \$4.2 million for at least 425 additional rental assistance certificates for ERAP and (2) \$4.5 million for at least 275 additional RAP certificates for families participating in the Head Start program*

## **SUMMARY**

This bill (1) makes various changes in housing-related laws, such as prohibiting leases from requiring tenants to pay for utilities that are not separately metered and generally requiring all municipalities to have fair rent commissions; (2) creates new housing development and mortgage pilot programs and a starter homes working group; (3) makes appropriations to the Department of Housing (DOH) for rental assistance; (4) makes boards of education eligible for increases to their state grant reimbursement rate for school building projects based on municipalities' affordable housing levels; and (5) requires most municipalities to allow the as-of-right conversion of commercial buildings into residential developments. A section-by-section analysis follows.

EFFECTIVE DATE: July 1, 2025, except the starter homes working group provisions are effective upon passage.

## **§ 1 — STARTER HOMES WORKING GROUP**

*Establishes a working group, chaired by the Housing Committee chairpersons, to study barriers to building more starter homes in the state and report to the Housing Committee by January 1, 2026*

The bill establishes a working group to study existing state and municipal barriers to building additional starter homes in the state (i.e. affordable single-family residential dwellings), including zoning restrictions, subdivision requirements, building and fire safety codes, and common interest community regulations.

Under the bill, the working group consists of the Housing Committee chairpersons (who also serve as the working group chairpersons) and anyone who they believe may provide relevant information and data, including (1) the DOH commissioner or her designee and (2) professionals with expertise in housing and planning.

The chairpersons must schedule the working group's first meeting,

which they must hold within 60 days after the bill's passage. The Housing Committee's administrative staff serve as the staff of the working group.

The bill additionally requires the working group, by January 1, 2026, to submit its findings and recommendations to the Housing Committee. The group ends on the date it does so, or January 1, 2026, whichever is later.

## **§ 2 — SCHOOL CONSTRUCTION GRANT REIMBURSEMENT RATE**

*Beginning July 1, 2025, makes boards of education eligible for increases to their school construction grant reimbursement rate based on municipalities' affordable housing levels under 8-30g*

Beginning July 1, 2025, the bill makes local or regional boards of education in certain municipalities eligible for a five-year increase to their state school construction grant reimbursement rate. To receive the rate increase, before December 1 of the year in which the board submits a reimbursement application, it must also submit a written DOH determination for that year finding that the municipality where the school building project will occur meets specified affordable housing thresholds under the affordable housing land use appeals procedure (CGS § 8-30g; see *Background*).

Under the bill, the 8-30g affordable housing thresholds and accompanying reimbursement rate increases are as follows:

1. for municipalities with at least 10% affordable housing, the board receives a 20% increase;
2. for municipalities with at least 8% but less than 10% affordable housing, the board receives an 8% increase; and
3. for municipalities with at least 6% but less than 8% affordable housing, the board receives a 5% increase.

According to DOH's 2024 Affordable Housing Appeals List, 28 municipalities have an affordable housing stock of at least 10%, 15 municipalities have between 8% and 10%, and 18 have between 6% and 8%.

**Background**

**Affordable Housing Appeals List and 8-30g.** DOH annually publishes a list identifying the housing stock in each municipality that qualifies as affordable housing under 8-30g for the purpose of establishing which municipalities are exempt from the appeals procedure (i.e. those that meet the 10% threshold). DOH uses data from the most recent U.S. decennial census to determine the total number of housing units in each municipality. Data on the number of affordable units comes from various sources (see CGS §§ 8-30g(k) & 8-37qq(a)(2)(D); Conn. Agencies Regs., § 8-30g-2).

**Related Bills.** HB 6950 and sHB 7031, both reported favorably by the Housing Committee, (1) change the definition of “set-aside development” used in 8-30g and (2) count any accessory apartments toward the 8-30g exemption threshold, respectively.

**§§ 3 & 4 — AFFORDABLE HOUSING PILOT PROGRAM FOR CONSTRUCTION INDUSTRY EMPLOYMENT**

*Requires DOH to (1) create a four-year pilot program that funds proposed affordable housing development projects creating employment opportunities in the construction industry and meeting certain affordability criteria, (2) set criteria for awarding funds under the program, and (3) report on the program to the Housing Committee after it concludes; authorizes \$50 million in GO bonds for the program*

The bill requires DOH, within available bond authorizations, to develop and establish a four-year pilot program that funds proposed affordable housing development projects creating employment opportunities in the construction industry. It also (1) requires DOH to set criteria for awards, (2) sets housing affordability requirements, (3) requires DOH to report on the program to the Housing Committee, and (4) authorizes up to \$50 million in state general obligation (GO) bonds for the program.

Under the bill, beginning July 1, 2025, sponsors of eligible proposed projects can apply, as prescribed by DOH, to receive pilot program funding.

**Criteria for Awarding Funds**

The bill requires DOH to set criteria for awarding funds, which at a minimum must require the following:

1. the applicant to secure co-investment funding from a union pension fund (or comingled fund of union pension fund investments) with a demonstrated record of successful investment in affordable housing construction,
2. the proposed project to be covered by a project labor agreement, and
3. the applicant to be committed to workforce training by following state-registered apprenticeship standards and apprenticeship readiness programs.

### ***Affordability Requirements***

The bill requires all housing built with pilot program funding to have affordability restrictions (i.e. deed restrictions) that apply for at least 40 years and limit occupancy to households earning up to 80% of the median income, or other means DOH selects. These affordability restrictions must require the housing to be sold or rented at a price that is not more than 30% of an eligible household's income. (Presumably, DOH must determine whether "median income" means state or area median income.)

### ***Program Reporting***

The bill requires DOH to report to the Housing Committee within six months after the pilot program ends. This report must include an analysis of the program's effectiveness and any recommendations for permanently implementing or expanding it.

### ***Bond Authorization***

The bill authorizes up to \$50 million in state GO bonds and requires DOH to use the proceeds to finance approved projects under the pilot program, as described above. The bonds are subject to standard statutory bond issuance procedures and repayment requirements.

## **§ 5 — TENANT UTILITY CHARGES**

*Prohibits residential rental agreements from requiring that tenants pay for utilities if their dwelling unit does not have a separate meter for the utilities*

The bill prohibits residential rental agreements from requiring that tenants pay for “utilities” if their dwelling unit does not have a separate meter for the utilities. (It does not define “utilities.”) By law, statutorily prohibited rental agreement provisions are unenforceable.

Existing law makes the owner, agent, lessor, or manager of a residential dwelling (i.e. the “landlord”) liable for the costs of a utility service (specifically, electric, gas, water, or heating fuel) provided to the building, unless the utility company provides the service (1) to a dwelling unit of the building on an individually metered or billed basis and (2) for the exclusive use of the unit’s occupants (CGS § 16-262e(c)).

### ***Background — Related Bill***

sHB 6943 (§ 2), reported favorably by the Housing Committee, prohibits rental agreements from requiring that tenants pay a surcharge or rent increase for occupying a dwelling unit under a month-to-month lease or holding over beyond the lease term.

## **§ 6 — MUNICIPALITIES THAT MUST HAVE A FAIR RENT COMMISSION**

*Requires every municipality, by January 1, 2028, to establish a fair rent commission, joint fair rent commission, or regional fair rent commission through their COG*

The bill requires the legislative body of every municipality (i.e. town, city, and borough), by January 1, 2028, to adopt an ordinance creating a fair rent commission, joint fair rent commission, or regional fair rent commission (see *Background*). Current law (1) required all municipalities with a population of at least 25,000 to have a commission by July 1, 2023, and (2) allows others to have them.

Under the bill, any two or more municipalities may form a joint fair rent commission through their legislative bodies; current law limits this option only to municipalities under the population threshold discussed above. The bill also allows any municipalities that are members of a regional council of governments (COG), through their legislative bodies and their COG, to create a regional fair rent commission.

Existing law, unchanged by the bill, requires a municipality's chief executive officer to notify DOH that the municipality has established a fair rent commission and send the department a copy of its ordinance, within 30 days after it is adopted. (Presumably, this requirement applies to the joint or regional fair rent commissions the bill authorizes.)

### **Background**

**Fair Rent Commissions.** By law, fair rent commissions are generally empowered to (1) control and eliminate excessive (i.e. harsh and unconscionable) rental charges and (2) enforce landlord-tenant statutes prohibiting landlord retaliation and establishing eviction protections for certain protected tenants. Among other things, commissions may receive rent complaints and hold hearings on them (CGS § 7-148b et seq.). According to DOH, 38 municipalities currently have a fair rent commission.

**Related Bills.** sSB 1264, reported favorably by the Housing Committee, requires (1) a fair rent commission to notify parties to any of its proceedings of their rights and the scope of the commission's lawful authority and (2) DOH to create a model notice.

sSB 1266 (File 72), reported favorably by the Housing Committee, (1) requires municipalities with a fair rent commission to post on their website a copy of the commission's adopted bylaws and (2) specifies that fair rent commission hearings must be open to the public.

HB 6892, reported favorably by the Housing Committee, modifies the factors that fair rent commissions must consider when determining whether a rental charge or proposed rent increase is excessive (to include consideration of the percentage in rent increase for an accommodation that changed ownership within the last year).

sHB 6943 (§ 3), reported favorably by the Housing Committee, requires a landlord's rent increase notice to include a statement that the tenant has the right to file a complaint with the fair rent commission to dispute the increase if the dwelling unit is in a municipality with a commission.

## **§ 7 — AS-OF-RIGHT COMMERCIAL TO RESIDENTIAL CONVERSIONS**

*Requires municipalities that zone under CGS § 8-2 to adopt regulations allowing the as-of-right conversion of commercial buildings into residential developments and sets related requirements; prohibits municipalities from conducting a revaluation of a conversion for a three-year period beginning after a certificate of occupancy is issued*

The bill requires municipalities that exercise powers under the Zoning Enabling Act (CGS § 8-2) to adopt regulations allowing the conversion (or partial conversion) of commercial buildings into residential developments as of right. As under existing law, “as of right” means able to be approved without requiring (1) a public hearing; (2) a variance, special permit, or special exception; or (3) other discretionary zoning action, other than a determination that a site plan conforms with applicable zoning regulations. The bill also generally sets related requirements for (1) the as-of-right permit application and review process and (2) municipal property revaluations of conversions.

Under the bill, commercial buildings are those primarily designed or used for non-residential purposes, including hotels, retail space, and office space. They do not include industrial buildings, meaning those used primarily for industrial activity and generally not open to the public, including warehouses, factories, and storage facilities. Residential developments are structures (or a portion of one) containing at least one dwelling unit.

### ***Application Review***

The bill requires regulations to establish an as-of-right permit application and review process for these conversion projects. The process must require the zoning or planning and zoning commissions to decide within 65 days after an application is received unless an applicant approves an extension or extensions of up to 65 days total or withdraws the application.

The bill prohibits municipalities from conditioning a conversion’s (or partial conversion’s) approval on the correction of a nonconforming use, structure, or lot. (A nonconforming use is a property use that legally exists at the time a zoning restriction prohibiting or limiting it is adopted. The term also generally applies to lots and structures that do



not comply with zoning regulations.) The bill also specifies that its provisions do not exempt these conversions from the requirements of applicable building and fire codes, however, it prohibits municipalities from unreasonably delaying inspections required in connection with conversions.

### ***Municipal Property Revaluations***

The bill prohibits municipalities from conducting a revaluation of a conversion or partial conversion for at least a three-year period beginning after a certificate of occupancy is issued in connection with the conversion. This prohibition applies regardless of existing law on municipal property revaluations, which requires municipalities to perform revaluations every five years based on a rotating schedule the Office of Policy and Management prescribes.

### ***Related Bills***

sSB 1263, reported favorably by the Housing Committee, requires DOH to establish a tax credit program for owners that convert commercial buildings into residential developments or taxpayers that make contributions toward the conversion.

SB 1444, reported favorably by the Planning and Development Committee, generally has the same provisions as this bill.

## **§ 8 — CHFA STUDENT LOAN DEBT PILOT PROGRAM**

*Requires CHFA to develop and administer a pilot program for eligible borrowers with unpaid student loan debt that provides an interest rate reduction, similar to its existing Smart Rate Pilot Interest Rate Reduction Program*

The bill requires the Connecticut Housing Finance Authority (CHFA) to develop and administer a pilot program for certain mortgage borrowers with unpaid student loan debt (similar to its existing Smart Rate Pilot Interest Rate Reduction Program; see below). It must do so as part of its existing homeownership loan program and within resources allocated to DOH by the State Bond Commission for this program.

Under the pilot program, CHFA is authorized to provide up to a 1.125% interest rate reduction to eligible mortgage holders. The bill requires CHFA to establish program guidelines it determines are

needed, including the eligibility requirements described below. To be eligible for the pilot program, a borrower must meet the following requirements:

1. be a first-time homebuyer or have not owned a home in the past three years, unless purchasing in federal “targeted areas” (i.e. areas recognized by the federal government as likely to benefit from an increase in homeownership based on certain metrics);
2. meet CHFA’s household size-adjusted income limits and have a gross income that does not exceed the area median income;
3. have a combined student loan debt with at least a \$15,000 unpaid principal balance (the student loan must be in good standing and may be in repayment or deferment); and
4. meet any other eligibility requirements CHFA determines are needed.

(While the bill’s pilot program is similar to CHFA’s existing, administratively established Smart Rate Pilot Interest Rate Reduction Program, the latter is currently closed due to the allotted funds being fully reserved.)

#### **§§ 9 & 10 — DOH RENTAL ASSISTANCE APPROPRIATIONS**

*Appropriates to DOH from the General Fund for FY 26 (1) \$4.2 million for at least 425 additional rental assistance certificates for ERAP and (2) \$4.5 million for at least 275 additional RAP certificates for families participating in the Head Start program*

The bill makes the following appropriations to DOH from the General Fund for FY 26:

1. \$4.2 million for at least 425 additional rental assistance certificates issued to people with disabilities or who are elderly under the department’s Elderly Rental Assistance Program (ERAP); and
2. \$4.5 million for a grant to the Head Start on Housing program for at least 275 additional Rental Assistance Program (RAP) certificates issued to families participating in Head Start.

ERAP provides rental assistance to low-income elderly people living in state-assisted elderly rental housing. The Head Start on Housing program provides housing vouchers to Early Head Start or Head Start families to prevent homelessness and support family success. Early Head Start and Head Start generally provide a range of early learning and development services and supports for income-eligible young children and their families.

***Background — Related Bills***

sHB 6890, reported favorably by the Housing Committee, makes several changes to DOH’s administration of RAP.

sHB 6941, reported favorably by the Housing Committee, requires DOH’s regulations on RAP income eligibility to exempt from the program’s gross income calculation up to \$100,000 annually earned by a child (until he or she reaches age 24) residing with an applicant.

sHB 7112 (§§ 15 & 18), reported favorably by the Housing Committee, requires DOH to establish a pilot program to give direct cash rental assistance to recipients who are eligible for a RAP certificate and are currently on the waiting list for the federal Housing Choice Voucher program (instead of a housing choice voucher). It appropriates \$2.23 million to DOH from the General Fund for FY 26 in support of the program.

**COMMITTEE ACTION**

Housing Committee

Joint Favorable

Yea    12    Nay    6    (03/06/2025)