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SB-49
AN ACT INCREASING OPPORTUNITIES FOR WORKFORCE HOUSING DEVELOPMENT IN THE STATE.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 $	FY 23 $
Department of Housing	GF - Cost	Up to 50,000	168,200
State Comptroller - Fringe Benefits[1]	GF - Cost	None	69,500
Department of Housing	GF - Potential Cost	100,000	None
Department of Revenue Services	GF - Cost	None	Up to 75,000
Department of Revenue Services	GF - Revenue Loss	None	See Below
Policy & Mgmt., Off.	GF - Cost	None	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 22 $	FY 23 $
Various Municipalities	Precludes Grand List Growth	None	See Below
Various Municipalities	Precludes Revenue Gain	None	See Below

Explanation

The bill, which establishes various state and local financial incentives for investing in and developing rental units set aside for

[1]The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.3% of payroll in FY 22 and FY 23.

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designated populations and households, results in the state and municipal fiscal impacts outlined below.

State Cost Impact

Section 1 results in program administration costs to the General Fund of up to $50,000 in FY 22 and of $237,700 in FY 23 for the Department of Housing (DOH) to establish a tax credit program for workforce housing opportunity developments. As the DOH does not currently administer a tax credit program or have capacity within existing staff, the agency would require a new state program administrator (salary and fringe benefits of $122,100) and an additional associate accountant (salary and fringe benefits of $115,600) to operate the program beginning in FY 23. The DOH is also required to adopt implementing regulations (presumably in FY 22) for which the agency typically contracts outside legal services at a cost of up to $50,000.

Section 1 also results in a one-time cost of up to $75,000 to the Department of Revenue Services for updates to the online Taxpayer Service Center in FY 23 only.

Section 8 requires the DOH to conduct a study on housing for apprentices and new employees in the towns where they work and report on it by January 1, 2022. To the extent that the DOH lacks the capacity or expertise to conduct such a study in-house, there will be a one-time cost of approximately $100,000 in FY 22 to contract with a third-party to complete it.

State Revenue and Bonding Impacts

Section 3 expands the CHFA's Housing Program Contribution tax credit program, but does not increase the existing $10 million annual aggregate credit cap. This does not result in any fiscal impact as the program currently reaches the cap on an annual basis, and there is no cost to CHFA from this provision.

Section 7 requires the CHFA to create a new mortgage assistance program for certain developers. Such programs are anticipated to be funded within the CHFA's resources, which include a combination of tax-exempt private activity bonds and taxable market-rate bonds. To the extent the new program extends the uses of the CHFA's resources, there is some possibility of either reduced use of such resources for existing programs or of greater reliance on taxable bonds to increase overall resources available for the CHFA's programs. Borrowing through the use of taxable bonds is typically slightly more expensive than the issuance of tax-exempt bonds – it is anticipated that any increase in borrowing costs to the CHFA from additional use of taxable bonds would be passed on to assistance recipients.

Other mortgage assistance programs administered by the CHFA have been supported by General Obligation (GO) bonds. The bill does not authorize new GO bond authorizations for this program, and outstanding bond authorizations for the CHFA do not appear applicable to the newly created program, so no change in General Fund debt service is anticipated from the bill.

Municipal Impact

The bill precludes an increase in grand list growth in certain municipalities by establishing incentives for workforce housing opportunity development projects that reduce their potential property tax liability. The bill: 1) effectively requires assessors to assess such projects at below market value, and 2) allows municipalities to partially exempt such projects from property taxes for seven assessment years following project completion. Any impact would vary based on the value of such projects.

The bill requires the Office of Policy and Management to reimburse municipalities for 77% of the revenue loss they experience if they choose to fully exempt workforce housing developments. This partially offsets any revenue loss municipalities experience as a result of the bill.

The bill also exempts these projects from building permit fees. This precludes a revenue gain that municipalities otherwise would have experienced from collecting such fees.

The Out Years

The annualized ongoing cost impacts identified above would continue into the future subject to inflation.

Section 1 establishes a new tax credit against the personal income and corporation business taxes for individuals or entities making cash contributions to eligible developers constructing or rehabilitating eligible workforce housing opportunity development projects in federally designated opportunity zones. This results in a revenue loss of up to $5 million annually beginning in FY 24. [2]

Sources: Department of Revenue Services Annual Report Fiscal Year 2019-2020

[2] Tax credit vouchers may be claimed against state corporation business and personal income taxes for taxable income years beginning in 2023; it is anticipated that the timing of the claiming of credits would limit the revenue impact to FY 24 and beyond. The bill caps the total amount of credits allowed per fiscal year at $5 million.