Housing Authority Payments in Lieu of Taxes

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Issue
Describe the payments in lieu of taxes (PILOTs) that housing authorities are required to make under state law.

Summary
State law requires local housing authorities to make PILOTs instead of paying property taxes. By law, non-commercial property owned by a housing authority is exempt from taxes (CGS § 8-58). However, housing authorities must make PILOTs for four types of housing properties they own (moderate rental, elderly housing, state-assisted elderly congregate, and state-assisted low income). The maximum annual PILOT for these properties is set in statute and cannot exceed the property tax that would apply to the property were it not tax-exempt (see Table 1).

The law allows, but does not require, the state to make PILOTs to municipalities for moderate rental housing projects owned by housing authorities or the Connecticut Housing Finance Authority (CHFA) (CGS § 8-216). This program has been unfunded in recent years.

Housing Authority PILOTs
By law, housing authorities must make annual PILOTs to municipalities for four types of housing projects in an amount determined by the municipality and approved by the Department of Housing (DOH) commissioner. Table 1 lists the housing authority-owned projects subject to these requirements and the corresponding maximum annual PILOTs for each. These caps do not apply if the federal government provides a housing authority with additional funds for the purpose of PILOT,
but the amount an authority is required to pay cannot exceed the property tax that would apply to the property were it not tax-exempt.

**Table 1: Required Housing Authority PILOTs**

<table>
<thead>
<tr>
<th>Housing Authority-Owned Project Type</th>
<th>Statutory PILOT Requirement</th>
<th>Maximum PILOT (% of annual rent for occupied units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderate Rental</td>
<td>CGS § 8-71</td>
<td>12.5%</td>
</tr>
<tr>
<td>Elderly Housing</td>
<td>CGS § 8-118a</td>
<td>10%</td>
</tr>
<tr>
<td>State-Assisted Elderly Congregate</td>
<td>CGS § 8-119k</td>
<td>10%</td>
</tr>
<tr>
<td>State-Assisted Low Income</td>
<td>CGS § 119gg</td>
<td>10%</td>
</tr>
</tbody>
</table>

The law allows a municipality to (1) set a fixed annual PILOT that a housing authority pays, (2) waive an authority's PILOT, (3) agree with an authority or the federal government on the PILOT amount the authority will pay for a set number of years, or (4) agree to accept a fixed sum or some other form of consideration instead (CGS § 8-58).

In the case of certain U.S. Department of Housing and Urban Development-subsidized projects, part of the federal operating subsidy is designated for PILOT (24 C.F.R. 990.190(c)).

**State PILOT Reimbursements**

The law allows the state to enter into contracts, at the DOH commissioner’s discretion, to make PILOTs to a municipality on the behalf of housing authorities or CHFA for property owned or leased under the Moderate Rental Housing program (CGS § 8-216). The annual payments must equal the amount of taxes the properties would generate if they were not tax-exempt and a municipality must waive the moderate rental project PILOTs that would otherwise apply during the contract period. Housing authorities and CHFA must use the amount of the waived payments for certain authorized purposes.

Since state funding for this Moderate Rental PILOT program was eliminated in FY 16, budget language has continued to waive the payments participating housing authorities would have had to pay to municipalities. Budgets up to FY 19 extended the waiver and the FY 20-21 budget eliminated the sunset provision, making the waiver permanent (CGS § 8-71).

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