

# OFFICE OF FISCAL ANALYSIS

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sHB-6633

AN ACT CONCERNING A NEEDS ASSESSMENT AND FAIR  
SHARE PLANS FOR MUNICIPALITIES TO INCREASE  
AFFORDABLE HOUSING.

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$	Out Years \$
Policy & Mgmt., Off.	GF - Cost	228,800	27,700	27,700
Department of Housing	GF - Cost	None	None	175,000
State Comptroller - Fringe Benefits <sup>1</sup>	GF - Cost	11,530	11,820	86,760

Note: GF=General Fund

### **Municipal Impact:**

Municipalities	Effect	FY 24 \$	FY 25 \$	Out Years \$
Various Municipalities	STATE MANDATE <sup>2</sup> - Cost	None	Potential	Potential Significant

### **Explanation**

The bill results in a cost of approximately \$228,800 in FY 24 and \$27,700 in FY 25 to the Office of Policy and Management (OPM), along

<sup>1</sup>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 42.82% of payroll in FY 24.

<sup>2</sup> State mandate is defined in Sec. 2-32b(2) of the Connecticut General Statutes, "state mandate" means any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

with associated fringe benefits costs to the Office of the State Comptroller, and a potentially significant cost to various municipalities beginning in FY 25. The bill creates new processes and requirements regarding affordable housing.

The bill requires OPM, in consultation with commissioners of the Department of Housing (DOH) and Department of Economic and Community Development (DECD), to do the following by July 1, 2024: (1) assess the affordable housing need in each of the state's planning regions, (2) develop a methodology for allocating each municipality's fair share of affordable housing units, and (3) provide technical assistance materials and trainings to assist municipalities in complying with the requirements of the bill, including providing assistance to municipalities to develop a fair share affordable housing plan.

The cost to OPM includes \$26,900 in FY 24 and \$27,600 in FY 25 for one part-time Planning Analyst to oversee the consultant process and monitor ongoing compliance from municipalities, \$1,870 in FY 24 and \$110 in FY 25 for training and materials, and a one-time cost of \$200,000 in FY 24 for a Planning/Research Consultant to develop the methodology, make estimates for the ten-year planning horizon, and develop guidelines and training for municipalities.

There is no fiscal impact to DOH or DECD in FY 24 and FY 25 to consult with the OPM secretary according to the bill's provisions.

Municipalities with a federal poverty rate of 20% or greater are exempt and will not incur a cost. The cost to non-exempt municipalities beginning in FY 26 will be dependent on the methodology developed by OPM. The cost will vary but could be potentially significant if developers still choose not to build after a municipality implements revised zoning regulations, as the cost to build could then fall onto the municipalities. The extent of the cost would vary across such towns, based on the number of units that would need to be available to comply with the goals in the town's plan. As a reference, the average state subsidy per new unit of affordable housing developed with DOH assistance was approximately \$100,000 per unit in 2019.

Municipalities may also incur a cost in FY 25, and every ten years thereafter, to hire consultants or additional staff necessary to develop their required plan.

The bill also allows any interested party to bring municipalities to court if they (1) fail to submit a fair share plan to OPM, or (2) fail to create a realistic opportunity to meet their municipal fair share allocation. This may result in a cost to municipalities beginning in FY 25 for punitive damages, attorneys' fees, and court costs to the extent the municipality cannot provide the burden of proof.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

DOH will incur costs for approximately two additional staff in the out years, beginning in FY 27, associated with: 1) reviewing plans, once submitted, to determine if they create a realistic opportunity for achieving the municipality's fair share goal, 2) reviewing annual progress reports that municipalities must provide to DOH starting July 1, 2026, and 3) conducting random audits of at least 10% of plans each year to ensure compliance with the law starting July 1, 2028. Costs for one planning analyst and one state program manager would total approximately \$249,935 annually (\$175,000 for salaries and \$74,935 for fringe benefits), subject to changes in costs for state employee wages and benefits.