

# OFFICE OF FISCAL ANALYSIS

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sSB-998

AN ACT ESTABLISHING A TAX ABATEMENT FOR CERTAIN  
CONSERVATION EASEMENTS.

AMENDMENT

LCO No.: 9715

File Copy No.: 427

House Calendar No.: 584

Senate Calendar No.: 240

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## ***OFA Fiscal Note***

### ***See Fiscal Note Details***

The amendment adds new provisions related to housing. The sections with a fiscal impact are described by section below.

**Section 501** prescribes civil penalties of up to \$2,000 per violation of municipal ordinances relating to safe and sanitary housing. If multiple violations are discovered on the same day, only one violation will be issued. This results in a potential revenue gain to municipalities beginning in FY 24, to the extent that these penalties occur.

**Section 507** makes changes to the existing security deposit guarantee program (SDGP) administered by the Department of Housing (DOH). As DOH already restricts program participation to less than the currently eligible population in statute to stay within a budget of about \$175,000 per year, the amendment is not likely to result in additional costs associated with the new rules unless more funding is provided for the program.

The changes may result in more recipients receiving smaller guarantees and/or some participants receiving grants for one month's rent, leading to the same spending but to benefit a different number of recipients. Some of the changes likely to reduce the average state cost

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per guarantee include: (1) increasing certain tenants' contribution to the security deposit, and (2) decreasing the time during which a landlord can make a claim following the end of tenancy from 45 to 20 days.

The section results in a potential cost of up to \$50,000 for consultants to assist the agency in modifying SDGP regulations. If additional funding were to allow program expansion in line with expanded eligibility, DOH is likely to incur costs for a new program manager at an annual cost of \$134,251 in FY 24 and \$137,607 in FY 25, for salary and fringe benefits, in addition to costs for additional guarantees or grants. The program manager would monitor compliance and supervise the non-profit providers that would likely be tasked with administering an expanded program.

**Section 508** requires DOH to create and publish on its website a one-page notice for landlords to use to inform protected tenants of their rights. The agency may incur a one-time cost of \$500 in FY 24 to translate the notice into Spanish and another one-time cost by FY 29 of up to \$1,500 to translate the notice into additional common languages in the state.

**Section 511** results in a one-time cost of less than \$5,000 to DOH in FY 24 to translate into Spanish the standardized rental agreement forms the agency must develop. DOH must also translate the standard rental agreement into the five most commonly spoken languages by FY 28, resulting in an additional one-time cost for translation services in which will depend on: (1) the cost per page, and (2) the number of pages in the form.

**Section 512** results in a potential minimal cost of less than \$5,000 to municipalities in FY 24 and FY 25 to provide housing code violation complaint forms in English and Spanish.

**Section 515** assigns responsibilities to the Office of Responsible Growth within the Intergovernmental Policy Division of the Office of Policy and Management (OPM). This results in a cost of \$71,147 for one additional position in FY 24 and a cost of \$213,441 for two additional

positions in FY 25 (for a total of three new positions in FY 25) to OPM and associated fringe costs of \$30,465 in FY 24 and \$91,395 in FY 25 to the Office of the State Comptroller.

**Section 516** requires OPM, in consultation with the commissioners of DOH and the Department of Economic and Community Development (DECD) and organizations that represent municipalities, to do the following by December 1, 2024: (1) assess the affordable housing need in each of the state's planning regions and (2) develop a methodology for allocating each municipality's fair share of affordable housing units.

The amendment results in a cost of approximately \$200,000 to OPM in FY 24 for a Planning/Research Consultant to develop the methodology. This section creates new processes and requirements regarding affordable housing and exempts municipalities with a federal poverty rate of 20% or greater.

**Section 519** requires DOH to affirmatively seek to expend all funds appropriated for the Rental Assistance Program (RAP) on an annual basis. To the extent that this section encourages DOH to release more RAP vouchers than would otherwise be provided, annual expenditures for RAP could increase beginning in FY 24.<sup>1</sup> Because RAP only expends funds when voucher recipients are renting a unit, funds designated for new voucher recipients are often unspent for several months while recipients find eligible units. For reference, the average monthly state cost for a RAP voucher was \$919, and the program supported about 6,430 units in early FY 23.

Due to inherent variability in the cost of individual RAP certificates over time, if DOH issues more vouchers than there is guaranteed annual funding to support (by counting on reduced utilization for several months while recipients search for units), program costs would likely

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<sup>1</sup> State expenditures on RAP vouchers and associated administration were under the budgeted amount by \$5,285,033 in FY 21 and \$6,512,900 in FY 22.

exceed the FY 23 appropriation level in some years.<sup>2</sup>

**Section 520** results in a significant cost to the Department of Veterans Affairs (DVA). The amendment requires DVA, within available appropriations, to create and administer a program to make housing available for homeless or housing insecure veterans. DVA will incur administrative costs at least \$90,000, plus associated fringe benefits of at least \$38,500, to support a State Program Manager or equivalent position as well as costs for additional staff depending on the scope of the program. DVA will incur significant costs, including capital costs, related to building, converting, and rehabilitating properties for residential use.

**Section 521** establishes a process for the erasure of certain housing related matters and decisions from the Judicial Department's website. Given the short turnaround (erasure must be complete by July 1, 2024), this results in a cost for up to six temporary positions at an estimated cost of \$260,000 to identify, test, and process erasure of records. The amendment would require ongoing work that could potentially require additional permanent staff in future fiscal years.

**Section 522** transfers revenue in excess of \$300 million (adjusted for inflation beginning in FY 27) from the real estate conveyance tax to the Housing Trust Fund (HTF), resulting in a potential General Fund revenue loss and a commensurate potential revenue gain to HTF. Based on the May 1, 2023 consensus revenue projections it is not anticipated that any transfers would occur until FY 27 at the earliest.

**Section 523** exempts from the real estate conveyance tax any deeds of property with dwelling units where all of the units are deed-restricted as affordable housing, resulting in a potential General Fund revenue loss annually beginning in FY 24. The magnitude of the revenue loss is dependent on: (1) the number of such conveyances, and (2) the value of

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<sup>2</sup> Once a voucher is issued, that household receives the rental subsidy indefinitely until they no longer qualify or otherwise leave the program; however, costs to the state for their support will vary over time based on changes in rent, family size and household income.

the property conveyed.<sup>3</sup>

**Section 523** also results a in a one-time cost of up to \$75,000 to the Department of Revenue Services in FY 24 only associated with programming updates to the CTax tax administration system and myconneCT online portal, and form modification.

**Section 524** eliminates a provision that exempted certain rentals from housing discrimination due to a person's sexual orientation or civil union status. Violation of this section's housing discrimination provisions results in a class D misdemeanor which is punishable by up to 30 days in prison, a fine up to \$250, or both. This results in a potential revenue gain to municipalities beginning in FY 24 to the extent there are more fines collected.

**Section 525**, which transfers the responsibility for and permitting of certain sewage disposal systems from the Department of Energy and Environmental Protection (DEEP) to the Department of Public Health (DPH), is anticipated to result in a cost to DPH of approximately \$296,362 in FY 24 and \$186,944 in FY 25, and a savings to DEEP of approximately \$111,502 in FY 24 and \$161,333 in FY 25.

Costs to DPH reflect wages of \$104,360 in FY 24 and \$151,977 in FY 25 for two full-time Environmental Analysts to inspect and permit small community sewerage systems and small commercial subsurface sewage disposal systems with a capacity of between 7,5000 to 10,000 gallons per day (gpd). Other expenses to DPH of \$192,002 in FY 24 and \$34,967 in FY 25 are anticipated. The savings to DEEP reflect the transfer of the two DEEP Environmental Analysts from DEEP to DPH. Other savings reflect the reduction of two vehicle fleet leases (\$5,850 in FY 24 and \$7,800 in FY 25), two cellular phones (\$792 in FY 24 and \$1,056 in FY 25), and office supplies (\$500 annually).

**Section 526** establishes a \$5 million per year tax credit program, to be

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<sup>3</sup> According to the Department of Housing, there were 5,477 deed-restricted affordable housing units in the state in 2022.

administered by DOH, to subsidize the creation or rehabilitation of workforce housing opportunity development projects, located in federally designated opportunity zones. DOH must begin accepting applications by January 1, 2025. As DOH does not currently administer a tax credit program or have capacity within existing staff, this section results in half year program administration costs to the General Fund of \$226,383 in FY 25 and annualized costs of \$361,585 in FY 26, and annually thereafter, associated with three new staff. The FY 25 cost includes \$50,000 for consultants to assist DOH in adopting regulations as required by the bill.

It is anticipated that DOH would need to hire, by January 1, 2025, (i.e., half year personnel costs in FY 25): (1) a housing and community development manager (annual salary and fringe benefits of \$142,820), (2) an accountant (annual salary and fringe benefits of \$107,115), and (3) a housing specialist (annual salary and fringe benefits of \$102,830) to operate the program.

The section 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 26.<sup>4</sup>

**Sections 527, 530-531** preclude an increase in grand list growth in certain municipalities by establishing incentives for workforce housing development projects that reduce their potential property tax liability, beginning in FY 26. The amendment: (1) requires certain projects to be assessed below market value, and (2) allows municipalities to partially exempt such projects from property taxes for seven assessment years following project completion. The impact will be dependent on the

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<sup>4</sup> Tax credit vouchers may be claimed against state corporation business and personal income taxes for taxable income years beginning in 2025; it is anticipated that the timing of the claiming of credits would limit the revenue impact to FY 26 and beyond. The bill caps the total amount of credits allowed per fiscal year at \$5 million.

value of such projects.

**Section 531** requires the Office of Policy and Management to reimburse municipalities for 70% of the revenue loss they experience if they choose to partially exempt workforce housing developments beginning in FY 26. If the total to be reimbursed to municipalities exceeds the appropriation, then the reimbursements will be reduced proportionately. This partially offsets any revenue loss municipalities experience as a result of the incentives.

**Section 529** results in a revenue loss to municipalities as it exempts from building permit application fees: (1) certain workforce housing opportunity development projects, and (2) workforce housing development projects.

**Section 532** requires the Connecticut Housing Finance Authority (CHFA) to create a new mortgage assistance program for certain developers, which will result in additional staffing costs for the quasi-public agency. Such programs are anticipated to be funded within 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 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 CHFA from additional use of taxable bonds would be passed on to assistance recipients.

Other mortgage assistance programs administered by 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 CHFA do not appear applicable to the newly created program, so no change in the General Fund debt service is anticipated from the bill.

**Sections 536-537** shorten the time period by which landlords must return a tenant's security deposit and interest on deposits, resulting in a potential revenue gain to the Banking Fund, if the reduced time period results in increased fines from violations.

Under current law, landlords are subject to fines of up to \$250 per offense for failure to return a security deposit and up to \$100 per offense for failure to pay accrued interest. The Department of Banking has generally imposed fines for such violations at a rate fewer than once per year.

**Section 540** increases the reimbursement rate for school construction projects in municipalities that meet specified criteria. To the extent municipalities are found to be eligible for the reimbursement increase and relevant projects are submitted, there would be increased costs to the state and increased revenue to involved municipalities. The impact of future projects on the school construction priority list will be reflected when such projects are considered by the legislature in the future.

**Section 541** requires DOH to establish a temporary housing respite pilot program for the homeless and veterans recovering from injury or illness that provides at least 20 housing units across three cities. Assuming the program (1) utilizes existing private housing units (i.e., studios) with wrap-around services or temporary housing facilities and (2) runs from January 1, 2024, to January 1, 2025, the one-time cost to DOH of \$300,000 to \$500,000 is estimated to be spread equally across FY 24 and FY 25.

*The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*