

OFFICE OF FISCAL ANALYSIS

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HB-5474

AN ACT REQUIRING MUNICIPAL REPORTS CONCERNING
RESIDENTIAL CONSTRUCTION APPROVAL TO THE OFFICE OF
RESPONSIBLE GROWTH.

As Amended by House "A" (LCO 5494), House "B" (LCO 5530), House
"C" (LCO 5591)

House Calendar No.: 274

Senate Calendar No.: 451

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Treasurer, Debt Serv.	GF - See Below	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 25 \$	FY 26 \$
All Municipalities	Potential Cost	See Below	See Below
All Municipalities	Potential Revenue Gain	See Below	See Below
Various Municipalities	Grand List Reduction	See Below	See Below
Various Municipalities	Potential Savings	See Below	See Below

Explanation

The bill results in various impacts described below.

Section 3 requires municipalities exercising their zoning powers under the statutes to allow for conversion of nursing homes that meet certain requirements into multifamily housing subject only to summary

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review but allows municipalities to require a public hearing prior to conversation under certain circumstances. Any fiscal impact to municipalities is dependent on the number of facilities and changes to the value of the facilities that are converted. There is also a potential cost associated with a public hearing to the extent that a municipality requires one.¹

Section 4 requires the Department of Housing (DOH), beginning October 1, 2024, to develop a detailed plan for creating affordable housing from surplus state property when appropriate parcels become available for review, whether or not the agency is interested in utilizing the property itself. As under current law when the agency is interested in utilizing the property for that purpose, DOH will incur costs of approximately \$50,000 per parcel for an environmental review and other inspections by consultants. DOH is anticipated to use state bond funding for such predevelopment costs, resulting in a potential increase to General Fund debt service. By removing DOH choice, the bill makes it more likely that DOH will incur the \$50,000 cost when a suitable parcel of surplus state property is available. However, no parcels have been suitable in at least the past five years.²

Section 5, which increases the maximum daily civil penalty a municipality can impose for violation of a blight ordinance, results in a revenue gain to municipalities beginning in FY 25. The increased penalty only applies to residential and commercial properties with seven or more units. This will have no impact to municipalities that have not adopted a blight ordinance.

Section 6 increases the number of years that a municipality may freeze real property assessments for certain types of property from 10 to 30 years and allows municipalities to apply this to personal property. This will preclude any grand list growth for municipalities that choose

¹ This may result in a grand list increase or decrease to municipalities. Any grand list impact is dependent on how a building is valued before and after a conversion.

²DOH reviews surplus state property to assess its suitability for developing affordable housing approximately twice a month.

to freeze the assessment for these properties.

Section 7 allows municipalities to (1) establish an ordinance regulating the operation and use of short-term rental properties and (2) hire consultants to help develop the ordinances. This results in a potential cost to municipalities beginning in FY 25 to the extent that they choose to hire consultants.

Section 8 requires that any municipal penalties for violations of regulations will constitute a lien on the penalized property. This results in a potential revenue gain to municipalities to the extent more liens are assigned.

Section 9 requires certain low- or moderate-income housing to be valued using the net rental income method of valuation. It also clarifies, by reference to an existing definition, which housing is subject to the valuation method. To the extent municipalities are not already using this method of valuation, there will be a grand list reduction. A grand list reduction results in a revenue loss given a constant mill rate, however, it is likely that a municipality will adjust its mill rate to offset any predicted revenue loss.

The magnitude of the impact is dependent on (1) the difference between the current valuation method the municipality uses, and the net rental income method required under the bill, and (2) the number of properties in each municipality that must be valued differently under the bill.

This method currently exists as a local option. Municipalities that have already adopted this as a local ordinance will see no fiscal impact.

Sections 10-12 (1) permit municipal zoning regulations to allow as-of-right middle housing on certain lots and (2) awards municipalities that adopt this regulation points toward a moratorium for each middle housing dwelling unit that is built. This results in a potential savings to municipalities beginning in FY 25 for legal costs to the extent that more municipalities are awarded a moratorium.

Section 14 expands the use of district master plan funds from tax increment financing districts which may result in municipalities using funds from district master plan funds more quickly. This will only impact municipalities that have established tax increment financing districts.

Sections 19 and 20 make several changes to the multi-housing retrofit pilot program. It delays various program start and end dates by one year, including delaying the effective date of \$75 million of General Obligation (GO) bonds for the program from FY 25 to FY 26.

A \$50 million bond authorization for the program that became effective in FY 24 remains unchanged. A delay in the debt service costs is possible, to the extent that the existing \$50 million authorization and a portion of the additional \$75 million authorization would otherwise have been allocated before FY 26.

The bill also allows up to \$20 million of the bonds to be used for grants, in addition to the loans allowed under current law. This could result in increased or more rapid use of funds authorized for the program.

The program is funded through General Obligation (GO) bond funds. Future General Fund debt service costs may be incurred at a different rate to the degree that it causes authorized GO bond funds to be expended at a different pace than they otherwise would have been. As of May 1, 2024, the unallocated bond balance available under the relevant authorization is \$50 million.

The bill also exempts vacant lots from zoning restrictions beginning in FY 25. Any fiscal impact to municipalities will be dependent on what the vacant lots are used for as a result.

The bill allows units to be counted toward a subsequent moratorium if they were not counted toward a current moratorium, despite being completed before the current moratorium has begun. This results in a potential savings to municipalities beginning in FY 25 for legal costs to

the extent that more municipalities are awarded a moratorium.³

The bill makes other various changes that do not result in a fiscal impact.

House "A" eliminates the original bill and its associated fiscal impact and results in the impact described above.

House "B" includes a provision that exempts vacant lots from zoning restrictions.

House "C" includes a provision that changes how affordable housing units are counted toward a moratorium.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, penalties, and the terms of bonds issued.

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.

³ Several municipalities reported spending up to \$215,000 on legal costs, appeals, and litigation related to CGS 8-30g projects within the past year.