
OLR Bill Analysis

sHB 5336

AN ACT IMPLEMENTING THE RECOMMENDATIONS OF THE CONNECTICUT HOUSING AND SEGREGATION STUDY.

SUMMARY

This bill makes several changes to laws on affordable housing programs in the state. Specifically, it requires:

1. the Department of Housing (DOH) to assess housing assistance payments under the federal Housing Choice Voucher (HCV) program and attempt to equalize housing assistance payments under state housing voucher programs to the HCV standards;
2. that reexaminations to determine continued eligibility for certain housing programs (e.g., the Rental Assistance Program, Moderate Rental Housing Program, and Elderly Rental Assistance Program) occur no more frequently than biennially; and
3. the DOH commissioner, in coordination with the Connecticut Housing Finance Authority (CHFA), to adopt a qualified allocation plan for federal low-income housing tax credits that prioritizes municipalities based on (a) their need for affordable housing units, as determined in their fair share allocation, and (b) having no previous developments that received these tax credits.

Finally, the bill makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2024

§ 1 — HOUSING ASSISTANCE PAYMENTS FOR VOUCHERS

The bill requires DOH, annually beginning by January 1, 2025, to assess housing assistance payments for state residents under the federal

HCV program. It also requires DOH, to the extent practicable, to equalize housing assistance payments under the state's Rental Assistance Program (RAP), or any other housing voucher programs it administers, with the payments available under the HCV program. DOH must do so based on (1) housing unit size, location, or other physical characteristics, and (2) the income level of households that may live in the units.

Under the HCV program and RAP, "housing assistance payments" are generally the portion of a tenant's rent that the administering entity pays.

Existing law requires DOH to (1) set maximum rent levels under RAP for each municipality in a way that promotes the use of the program in all municipalities (CGS § 8-345(e)) and (2) adopt regulations determining the amount of rental assistance provided to eligible households. (The bill adds a requirement to these regulations; see below.)

§§ 2-4 — INCOME REEXAMINATIONS FOR CERTAIN HOUSING PROGRAMS

Under the bill, DOH's RAP regulations must require the department to conduct income reexaminations for eligible households no more than biennially. Current RAP regulations require DOH to (1) conduct annual reexaminations of participating families' income and composition and (2) adjust the amount of each household's assistance payment to reflect changes in the family's adjusted gross income. The regulations also require participating families to report changes in income or family composition to the department within 30 days (Conn. Agencies Regs., § 17b-812-9). Additionally, DOH's Administrative RAP Plan requires the department to process interim reexaminations when households have an increase in income that results in an increase of at least \$50 per month in tenant rent.

Similarly, the bill prohibits households living in certain state-supported housing projects (e.g., the Moderate Rental Housing program) from having their income reexamined more than biennially

unless the unit is subject to federal law requiring more frequent reexaminations. Under existing law and unchanged by the bill, entities operating or managing these housing units may reexamine a household's income more frequently if it is based on an income reduction. Current DOH regulations generally require annual income verifications under the Moderate Rental Housing program (Conn. Agencies Regs., § 8-79a-16).

Lastly, under the bill, DOH's regulations for the Elderly Rental Assistance Program (ERAP) must require the department to conduct a continued eligibility reexamination for elderly people receiving rental assistance under the program no more than biennially. Current ERAP regulations require grantees to conduct a reexamination of household income and composition annually and adjust the amount of each household's assistance payment accordingly (Conn. Agencies Regs., § 8-119kk-6).

§ 5 — LIHTC PROGRAM QUALIFIED ALLOCATION PLAN

The bill requires the DOH commissioner, by August 1, 2025, and in coordination with CHFA, to adopt a qualified allocation plan (QAP) for federal low-income housing tax credits that replaces certain existing priority scores or other point allocations.

Specifically, the QAP must replace a score or allocation based on a proposed housing development's location with one that is based on the extent to which the development meets a need for affordable housing units, as determined in the municipal fair share allocation the Office of Policy and Management (OPM) must calculate under existing law (see BACKGROUND). Additionally, it must replace a score or allocation based on a proposed development's lowest credit per qualified unit with one that is based on whether the proposed development is in a municipality that has not previously received funding under the Low-Income Housing Tax Credit (LIHTC) program.

It is unclear whether the bill's QAP provisions conflict with federal requirements (see BACKGROUND).

BACKGROUND***Fair Share Allocation***

PA 23-207, § 18, requires the OPM secretary, by December 1, 2024, to create a methodology for each municipality's fair share allocation of affordable housing by generally (1) determining the need for affordable housing units in each of the state's planning regions and (2) fairly allocating this need to each region's municipalities. It also requires the secretary, by this date, to use the methodology to determine the minimum need for affordable housing units for each planning region and a municipal fair share allocation for each region's municipalities. He must submit the fair share allocation methodology to (1) the Housing and Planning and Development committees and (2) each chamber of the General Assembly for approval.

LIHTC Program

The LIHTC program is the federal government's primary policy tool for developing affordable rental housing. Tax credits are awarded to developers of eligible projects to offset the cost of constructing rental housing in exchange for agreeing to reserve a specified portion of rent-restricted units for lower-income households. Developers typically use the credits as a financing tool by selling them to private investors, who benefit from a reduction in tax liability. The proceeds from the sales generate equity for the development, thus reducing the need for debt and other financing that would otherwise be required.

QAP Requirements. Under the LIHTC program, allocating agencies are responsible for awarding tax credits to qualifying projects that meet their QAP. (In Connecticut, CHFA is the allocating agency.) Federal law requires QAPs to give preference to certain projects, including those that (1) serve the lowest-income tenants, (2) are obligated to serve qualified tenants for the longest periods, and (3) are located in qualified census tracts and whose development contributes to a concerted community revitalization plan. Additionally, QAPs must incorporate certain selection criteria (e.g., project location, housing needs characteristics, public housing waiting list, etc.) (26 U.S.C. § 42(m)).

Related Bills

sSB 6 (§ 25) and sSB 146 (§ 2), both reported favorably by the Housing Committee and containing nearly identical provisions, require DOH to take certain actions related to its administration of RAP and other housing voucher programs. These actions include conducting an annual assessment on maximum rent amounts under these programs and adjusting the amounts based on certain considerations.

COMMITTEE ACTION

Housing Committee

Joint Favorable Substitute

Yea 11 Nay 4 (03/07/2024)