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STATE TREASURER
DENISE L. NAPIER**

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Nappier Proposes \$100 Million Housing Trust Fund As Sound Investment, Economic Imperative; Cites Opportunity for More Jobs, Business Growth

Warning that Connecticut's economic future is at stake, State Treasurer Denise L. Nappier today proposed the establishment of a \$100 million *Housing Trust Fund for Economic Growth & Opportunity* that could result in an additional \$1.4 billion in private sector and public funds devoted to creating additional housing throughout the state over the next 10 years.

Nappier said the Fund would help to alleviate the problem of a dangerously diminishing supply of affordable housing in Connecticut and help businesses that are facing labor shortages because workers have difficulty finding housing they can afford.

"Businesses will not expand in Connecticut unless they can find workers and that will be impossible if workers cannot find housing," Nappier said. "This fund will allow housing development to proceed that otherwise wouldn't. The result will be better for workers, better for business and better for our state."

Nappier said the funds would come from a first-time sale of special obligation bonds securitizing the state's future abandoned property revenue. The bonds would be repaid from the annual abandoned property revenue, creating no additional burden on taxpayers.

"The merits of using this innovative financing mechanism is financially sound, and it represents an incredibly effective approach to dealing with our State's diminishing supply of affordable housing," Nappier said, unveiling the initiative at a State Capital news conference joined by fellow Constitutional Officers and leaders of the General Assembly. "Housing is more than a moral imperative, it is an economic necessity. It is central to Connecticut's future, and affects communities across this state... urban, rural or suburban."

Nappier said that for every \$1 of state funding from the Fund, the program could yield between \$10 and \$12 in additional housing development, which could translate into additional economic activity reaching \$120 million annually, or nearly \$1.4 billion, including interest, over the next ten years. Based on recent surveys in Connecticut and experience around the country, it is estimated that the Trust Fund could result in the creation of 750 housing units per year, an additional 1,290 jobs and nearly \$42 million in wages paid on an annual basis.

"As the State's Treasurer, I understand the importance of good, smart investments. That's my job. And I cannot think of a smarter investment of our state's resources than in those initiatives that



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support families who work and live here, and the businesses that count on them... not just to survive, but to thrive," Nappier said.

Nappier noted that 34 states and more than 300 counties and municipalities have housing trust funds already, "so we cannot afford to wait a minute longer or those places will attract the skilled workers and businesses and Connecticut will be left behind."

Economists, Businesses Agree on Compelling Need for Action

The Treasurer cited a Blue Ribbon Commission study in 2000 that estimated the shortfall of affordable housing at 68,000 units, noting that the problem has been exacerbated in the intervening years. Studies by the Business Council of Fairfield County, Southeastern Connecticut Council of Governments, Regional Plan Association of New York, New Jersey and Connecticut, Connecticut Housing Coalition, and Lower Naugatuck Valley Regional Housing Coalition, as well as numerous Connecticut-based economists, have cited both the significant need for affordable housing and the economic ramifications of the lack of sufficient housing.

The New England Economic Partnership's *Connecticut Economic Outlook* recently said that "Connecticut's salaries are undercut by "the (state's) higher cost of living, especially for housing." In addition, Connecticut, like many other states, continues to lose young workers from its population, threatening both business expansion and state revenues. During the past four years, Connecticut's population of 25-44 year olds has dropped from 1,035,600 to 994,300.

The Treasurer said that housing has become so expensive in Connecticut that increasingly more low- and middle-income workers cannot afford to buy or rent adequate housing. She noted that Connecticut's average \$18/hour "housing wage" – what someone must earn to afford a typical two-bedroom – is higher than the median wage for 324 of the state's 688 occupations.

"There are some who ask, with the State facing another financial crisis, how can we afford this? In my view, the question might be better framed... how can we continue to afford the growing housing crisis in our State?"

A Better Use of Securitization

A year ago, the Connecticut General Assembly passed legislation permitting the State Treasurer to securitize unclaimed property revenue to fill a then-projected \$300 million revenue gap. That plan proved unnecessary when the greater than expected revenues produced a budget surplus. Nappier would revise the legislative authorization to create the Housing Trust Fund, which she described as a long-term investment, rather than the one-shot revenue approved last year.

"First and foremost, we updated our due diligence to determine whether securitizing abandoned property could be a viable alternative source to financing some of our state's most critical needs. The results of our analysis produced a qualified yes... so long as we can achieve an investment return that exceeds the cost of borrowing and so long as the purpose for which the money would be put to use is deemed to be in the best interest of our state," Nappier explained.

In addition, Nappier pointed out, "it's quite clear that given the current fiscal realities, it is unlikely that any consequential commitment to housing can be made through the State operating or capital budgets. And this is a compelling state need that cannot wait."

Under Nappier's plan, the program would be administered by the Connecticut Housing Finance Authority, which would establish a loan and grant program to provide no-interest and low-interest loans and grants to community development financial institutions, and for-profit and non-

profit developers of affordable housing. The fund would make \$10 million, plus investment earnings and any matching funds from private sources, available annually through the program.

The securitization bonds, to be issued by the State Treasurer, would be taxable 10-year debt with an anticipated interest rate of 5%. The sale of the bonds would create an estimated \$12-\$15 million annual debt service payment, to be paid to bondholders through revenues collected from abandoned property. Financial analysis done a year ago for the legislature's securitization plan by the non-partisan Office of Fiscal Analysis assumed an historical revenue stream of \$20 million per fiscal year, net of claims paid, far exceeding the revenue needed for repayment of the bonds.

Numbers Tell the Story: Housing Helps Economic Growth

In outlining her proposal, Nappier cited the growing concerns of Connecticut businesses and the potential harm to the State's long-term economic health if immediate action is not taken to address the problem. It is estimated that the \$10 million annual state investment in additional housing would leverage \$38 million in private investment, \$18 million in federal funds, and \$64 million in construction loans and mortgages.

"If there is one thing that economists, business leaders, and housing experts in the for-profit and not-for-profit sectors agree on, it is the compelling need for action," Nappier said. "The cost of housing affects the quality of life for Connecticut families, and businesses cannot attract workers to a state they can't afford to live in. Beyond that, housing can spur the creation of new jobs and a vibrant economy."

Benefits of Housing Trust Fund Extend to Municipalities, Public Safety, Transportation

Nappier said that study after study has found the shortage of affordable housing contributes to Connecticut's transportation problem, especially in Fairfield County, as workers often are forced to live far from their jobs due to high housing costs. Some communities have also seen evidence of a shortage of housing within the financial means of public safety workers, requiring them to travel long distances before they can be called in to respond to emergency situations.

"The centerpiece of this initiative is creating jobs, growing our economy and providing capital that will lead to more housing that working families can afford. It will allow people to live in communities where they work and help business recruit and retain employees. And it has the potential to mitigate some of the gridlock in our transportation system," Nappier said.

"This is a sound opportunity to capture future revenues to leverage a better, stronger future by using public dollars to leverage private dollars to secure that future... and especially now while we are in a low interest rate environment," Nappier said. "There can be no more prudent, or more timely, investment."