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TESTIMONY BEFORE THE HOUSING COMMITTEE
PUBLIC HEARING AGENDA
PARTNERSHIP FOR STRONG COMMUNITIES
FEBRUARY 24, 2026

AMEND S.B. 254 – AN ACT CONCERNING TAX CREDITS FOR THE CONVERSION OF COMMERCIAL PROPERTIES

Representative Felipe, Senator Marx, Representative Scott, Senator Sampson and distinguished members of the Housing Committee, thank you for the opportunity to submit testimony on SB 254, "*An Act Concerning Tax Credits for the Conversion of Commercial Properties.*" I am Alysha Gardner, Senior Policy Analyst with the Partnership for Strong Communities. We are a statewide nonprofit research, policy and advocacy organization dedicated to ensuring everyone in Connecticut has a safe, stable home that is affordable to them in an equitable community of their choice.

This bill recognizes the increased demand for new housing construction in commercial corridors and economic hubs across the state. We support the intent of the bill and offer the following suggested changes for your consideration. We believe that the tax credit can be designed to bring state policy in line with existing housing tax credit programs as well as reduce red-tape costs for all commercial to residential development projects through common sense regulatory reforms.

The current proposal allows tax credits of up to 10% of the total conversion expenditure, capped at $30,000 per unit for for-profit developers and $50,000 per unit for non-profit developers. The tax credit is refundable for for-profit developers or individuals, and can be carried forward over multiple years for non-profit developers. The current language requires that the Department of Housing Commissioner shall "take into account" the creation or preservation of affordable housing, but stops short of mandating any income targeting as a component of the program.

As currently structured, the proposed commercial to residential tax credit would support a limited number of housing developers, notably with refundable credits, without explicitly targeting the housing benefit to areas of greatest need. Given the disproportionate impact of the current housing affordability crisis on low-income households, state subsidies for housing creation are best used when applied to the creation of low- and moderate-income housing units.

One highly successful program that could serve as a model is the **State Housing Tax Credit Contribution program**, which authorizes up to $10M per year in tax credits available to businesses investing in nonprofit housing creation. Tax credit recipients must have contributed to projects serving extremely-low, low-, and moderate-income households. There is a $1M set aside for Workforce Housing (10% affordable/40% middle income/50% market rate) projects and $2M set aside for supportive housing development. Notably, the HTCC program is not refundable.

One important cost driver of commercial to residential conversions is related to the bureaucratic process required to obtain building permits. Repeated public hearings create uncertainty for both public and private project investors. Delayed building timelines lead to higher project costs for both labor (as contractors, especially attorneys, must be paid for an extended time period) and construction inputs (as inflation increases the price of both goods and services over time).

In addition to creating this new tax credit program, commercial to residential conversions would be further incentivized through broad based zoning reform. SB 12, Sec. 7, from the 2025 legislative session allowed for multifamily construction development in all areas currently zoned for commercial. H.B. 5002, Sec. 2, from the 2025 legislative session, offered a more moderate proposal by allowing all middle-housing (2-9 units) commercial to residential conversions as of right. Another policy reform could include summary process review of all commercial to residential conversions statewide, which allows for municipal staff review of conversion permit applications based on public health and safety standards but removes the need for repetitive public hearings. A municipal opt-in provision of this policy was passed last year as PA 25-164 (S.B. 1444) to facilitate the state's new Greyfield Revitalization bonding program; this policy could be expanded statewide. **These commonsense zoning reforms, which received significant legislative support last year, would complement the proposed tax credit program by reducing regulatory costs and fees.**

Thank you for the opportunity to submit this testimony.

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