

FOR IMMEDIATE RELEASE

Tuesday, February 28, 2017

Municipal Officials: Crumbling Foundations Needs to be Addressed Today

Hartford, Connecticut - The Capitol Region Council of Governments (CRCOG)'s Ad-Hoc Working Committee on Crumbling Foundations held a press conference in support of bills to aid homeowners with crumbling foundations.

The Ad-hoc Working Committee has been working hard to create proposals and templates for how aid to homeowners as well as condo and Planned Unit Development owners could be implemented. The Ad-hoc Working Committee supports HB6478 which has been proposed but not raised and currently supports SB 905 with added provisions.

This is a problem that affects 36 towns or more in Connecticut primarily in Eastern Connecticut, but also in the Northeast and Central Connecticut. The Ad-Hoc Working committee estimate from 9 of its towns shows potentially 4774 homes in just those towns being affected. The total cost to remediate all the homes affected could be larger than Hurricane Sandy.

Fortunately, this disaster is a slow-moving one that if we address the immediate needs now and begin mitigating now, we have time over the next 10 to 15 years to address this problem, restore confidence in the real estate market and the economy and make our homeowners whole.

The Ad-Hoc Working Committee is supporting the following:

- **Waiving of state building fees.**
- **Limiting the use of pyrrhotite in aggregate intended for use in foundations to be not more than 0.23%.**
- **Aid in the form of grants to homeowners,** condo owners and planned unit development owners for 75% of the remediation costs up to **at least \$75,000** per home or condo or planned unit development. We set the bar at \$75,000 because we believed this to be legislatively palatable, but if there is the possibility of increasing that maximum grant aid, we would support that.
- **Creation of a guaranteed loan fund.** A guaranteed loan fund will enable the homeowners to be able to make up the difference between the aid and the remaining amount. We know from the banks that such a guarantee would enable banks to leverage the guarantee to be 5 times the amount of the guarantee and enable them to make the "high risk" loans these could be.
- **Require mandatory disclosure of sellers to buyers** regarding this issue (much like the lead paint disclosures that exist today). We need to bring back the confidence in the real estate market. This will help and also will help out-of-state buyers from being hoodwinked into the purchase of property that they might not have.
- Funding for the aid program can come from a variety of sources. Some alternatives we propose:

Andover / Avon / Berlin / Bloomfield / Bolton / Canton / Columbia / Coventry / East Granby / East Hartford / East Windsor / Ellington / Enfield / Farmington / Glastonbury / Granby / Hartford / Hebron / Manchester / Mansfield / Marlborough / New Britain / Newington / Plainville / Rocky Hill / Simsbury / Somers / South Windsor / Southington / Stafford / Suffield / Tolland / Vernon / West Hartford / Wethersfield / Willington / Windsor / Windsor Locks

A voluntary Council of Governments formed to initiate and implement regional programs of benefit to the towns and the region

- Initial seed funding of \$30-\$35 million in bonding;
- Some portion or all of STEAP that is apportioned to affected towns would also be an effective use of STEAP funds;
- \$0.50 tax on ready made concrete mix of 25 lb bags or higher;
- \$1 per ton tax of material processed from any gravel or natural element extraction facility.

Regardless of what has happened in the past, the ad-hoc working committee is focused on moving forward. We would recommend a separate bill that addresses the issues with insurance companies. We believe SB-881 may be helpful, but once again, believe action is needed now. We are proposing the following addition to SB-881:

- **Increase in time limits for filing claims to insurance companies.** At a minimum, the clock should not start ticking for the homeowner to sue their insurance companies until after the final denial letter has been received. Anecdotally we have heard insurance companies waiting until the last moment to send the denial letter in order to minimize the likelihood of lawsuit.
- **Support surcharge on residential and commercial policies statewide of not more than \$200** to enable and require insurance companies to cover these liabilities up to \$150,000. We do not feel additional studies are necessary to move this forward.

The working committee also supports pursuing federal options as well in the form of Housing and Urban Development (HUD), IRS tax credits, and other assistance that may be available at the federal level. Community Development Block Grants (CDBG) and existing HUD program priorities are set by the state and the Department of Housing. This is an area where the state could choose to leverage federal funds, but has yet to fully explore opportunities within CDBG or HUD or prioritize this issue within its Action Plan. The committee, however, does not believe we should stand still and wait for federal assistance. Action is needed now.

For example, a \$30 million dollar annual fund divided into \$25 million grants for home owners and \$5 million in guaranteed loans for banks (that would leverage to \$25 million) would help at least 300 hundreds of homes annually if not more. Because this is a slow moving disaster and the capacity for re-construction, it may be all that is needed to slowly build back this region and restore these homes.

This is potential economic devastation for many of the 37 towns impacted that will affect all of Connecticut and this is the time to get ahead of the issue. The Ad-hoc Working Committee on Crumbling Foundations will have proposed language available that we will share with the legislators at the end of this week once it has been reviewed by the full committee. Working in conjunction with municipal, state and federal issues across agencies and statewide, we believe together we can forge a pathway for a solution.

Lisa Pellegrini, First Selectman of Somers and co-chair of CRCOG's Ad-Hoc Committee on Crumbling Foundations said, "Now is the time to address the issue of crumbling concrete foundations through meaningful legislative action. This problem is not going to go away and if ignored will greatly affect the economic stability of the entire state and continue to financially and emotionally devastate families in 37 towns in Connecticut. Now is the time for all levels of government, insurance companies and the

banking industry to work together to provide immediate relief for those homeowners facing this problem.”

Steve Werbner, Town Manager of Tolland and co-chair of the Ad-Hoc Committee said, “We look forward to working with the legislature to create comprehensive legislation that provides immediate relief to those suffering from crumbling foundations. To make this successful all levels of government and the insurance companies have to come together and recognize that the time to act is now. The economic stability of our communities along with the financial and mental health of our residents hangs in the balance.”

Marcia LeClerc, Mayor of East Hartford said, ““This is an important regional issue that will affect the economy of not only the affected towns, but the surrounding towns and the state. We face many challenges this year, but crumbling foundations is an issue that cannot be ignored and we must address to provide assurance and stability to the region and ultimately the state.”

Tony Frasinelli, First Selectman of Stafford said, “Stafford and its’ residents are suffering from the concrete issue along with the other towns in our region. We’re going to feel a greater impact this year and it will get worse with every passing year. Myself, along with my fellow town leaders have been very active in crafting real solutions to help people out of this nightmare. It’s not only financial (which is potentially huge,) it’s also mental and emotional. I’m hoping the public hearing shows others just how devastating a problem this is...not just for us but for the entire state. The ramifications could top \$1billion and could crush small towns all around the region and could last for 20 years or more. We’re asking for help.”

Christina Mailhos, First Selectman of Willington said, “We don’t have time for studies or stalling. We have to act now to save the real estate market and stop our grand lists from crumbling to a point that cannot be rebuilt.”

For more information, please contact Pauline Yoder, pyoder@crcog.org.

The Capitol Region Council of Governments (CRCOG) is a voluntary Council of Governments formed to initiate and implement regional programs of benefit to the towns and the region. It is guided by the chief elected officials of our 38 Metro Hartford municipalities. The mayors, first selectmen, and town council chairmen who make up our governing Policy Board recognize that the future of our individual members is tied to the future of our region. Our members have collaborated for more than 50 years on a wide range of projects to benefit our towns individually and the region as a whole. CRCOG serves the Capitol Region and all our municipalities by:

- Helping members improve governmental efficiency and save tax dollars through shared services and other direct service initiatives;
- Promoting efficient transportation systems, responsible land use and preservation of land and natural resources and effective economic development;
- Strengthening the Capitol City of Hartford as the core of a strong region, and as our economic, social and cultural center;
- Advocating for the region and its towns with the State and Federal governments;
- Strengthening our regional community by helping coordinate regional agencies and programs; and
- Assisting local governments and citizens in articulating, advocating and implementing the vision, needs and values of their regional community.

CRCOG Ad-Hoc Working Committee on Crumbling Foundations Talking Points for February 28, 2017 Hearing

Support SB-905 (DCP creates program to aid homeowners with failing foundations)

1. Taking provisions from proposed bill 6478
 - **Waiving of state building fees**
 - **Limiting the use of pyrrhotite in aggregate intended for use in foundations to be not more than 0.23%.**
2. In addition to those provisions, we would request the following:
 - Aid in the form of grants to homeowners, condo owners and planned unit development owners for 75% of the remediation costs up to **at least \$75,000** per home or condo or planned unit development. We set the bar at \$75,000 because we believed this to be legislatively palatable, but if there is the possibility of increasing that maximum grant aid, we would support that.
 - **Creation of a guaranteed loan fund.** We do not believe a feasibility study is needed for this. The guaranteed loan fund will enable the homeowners to be able to make up the difference between the aid and the remaining amount. We know from the banks that such a guarantee would enable banks to leverage the guarantee to be 5 times the amount of the guarantee and enable them to make the “high risk” loans these could be.
 - **Require mandatory disclosure of sellers to buyers** regarding this issue (much like the lead paint disclosures that exist today). We need to bring back the confidence in the real estate market. This will help and also will help out-of-state buyers from being hoodwinked into the purchase of property that they might not have.
3. Funding for the aid program can come from a variety of sources. Some alternatives we propose:
 - Initial seed funding of \$30-\$35 million in bonding;
 - Some portion or all of STEAP that is apportioned to affected towns would also be an effective use of STEAP funds;
 - \$0.50 on ready made concrete mix of 25 lb bags or higher;
 - \$1 per ton of material processed from any gravel or natural element extraction facility.

Partially Support HB7175 although tests for pyrrhotite, does not go far enough. Any level of pyrrhotite over at the minimum what has been established by Canada 0.23% should not be allowed to be used as a concrete aggregate. The concrete aggregate should be tested tested prior to the production of the concrete mix or related products.

Partially Support SB-881 (study of impact of requiring insurance companies to cover peril of collapse and mitigate against collapse). Although we do not believe additional studies are necessary, we recognize that having insurance companies required to cover the full amount of the damages is a high hurdle and could have many unintended consequences. Having this study, should not in no uncertain terms, however, prevent other forms of aid such as SB905 from moving forward during this legislative session.

- We would recommend as part of 881 to **Increase in time limits for filing claims to insurance companies.** At a minimum, the clock should not start ticking for the homeowner to sue their insurance companies until after the final denial letter has been received. Anecdotally we have heard insurance companies waiting until the last moment to send the denial letter in order to minimize the likelihood of lawsuit.

- After the conclusion of the study (or even without the study), **require insurance companies to cover policies up to \$150,000 for this issue** and allow surcharges of not more than \$200 on residential and commercial policies statewide to enable insurance companies to accomplish this.

Oppose: HB7160 (feasibility study for guaranteed loan program). We do not believe this is needed nor necessary. Moreover, having an end date of July 1, 2018, inhibits the possibility of action in the next legislative session based on the study.

Oppose: 794 or 806: Both these bills have the fundamental problem of having municipalities individually bear the administrative burden of a fund.

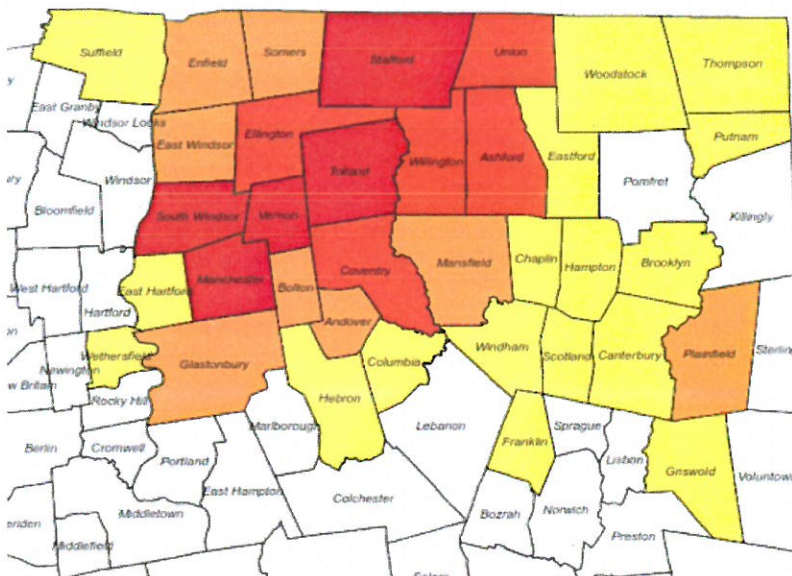
1. This is a regional issue and needs a regional / state solution. When a problem affects more than 30 towns, it is no longer an individual municipal issue but a regional issue and should be dealt regionally or statewide.
2. In many of the towns, the issue is too large for the town to handle alone.
3. Fundamental unfairness of pitting one town against another and one
4. This would result in extreme duplication of administrative efforts. 30 different programs that are intended for the same purpose will increase administrative costs and be extremely inefficient and cause confusion with different requirements or programs between towns for homeowners.
5. Municipalities raising bonds to address this issue has considerable issues.
 - a. The estimated needed funds and the amount of damage is sometimes double or triple bonding limits of the towns
 - b. This would put one resident against another within towns.
 - c. This is nothing like roads or bridges or public facilities. Municipalities would be assisting private property and many cannot with current charters. In order to bond, may in some cases require charter changes. Also, if bonds are passed on to private citizens, can they still retain tax exempt status?
 - d. Using bond funds may require the use of prevailing wage for many of these projects or CHRO requirements, vastly increasing the cost to the residents
 - e. Some towns require public referendums, which would mean some towns will likely not be able to do bonds for these – causing inequity in the region.
 - f. Bonding has project time limits and municipalities will not have control over the length of the projects (so, either small bonds that address a few needs and the need to go back to town again and again for additional bonds)

Remarks concerning the Department of Housing

HUD has a number of grant opportunities that the state could be taking advantage of now. The Community Development Block Grant has situations such as these as a national objective and the restoration of some of these homes, or some combination of these homes, could be addressed today through these grants and through the line of credit that is available through HUD through Section 108. **These are priorities set by the state**, not the federal government. These are areas that have federal money but are block grants and are in the hands of the state Department of Housing to decide to pursue. We would fully support efforts by the Department of Housing to pursue and implement programs using these available federal dollars. The state of Connecticut sets the priorities for these grants and opportunities and has yet to step forward in this area.

CRUMBLING FOUNDATIONS

Which Towns Are Affected?



As of December 2017 the minimum number of known affected homes is: 567

The number of houses affected by this issue is unknown

Current estimates from municipalities begin at 4,000 or more

Costs to Remediate

\$ \$150,000 to \$250,000 or more per home for remediation.

Currently, the only known method of remediation is re-pouring the foundation.

Ad-Hoc Working Committee

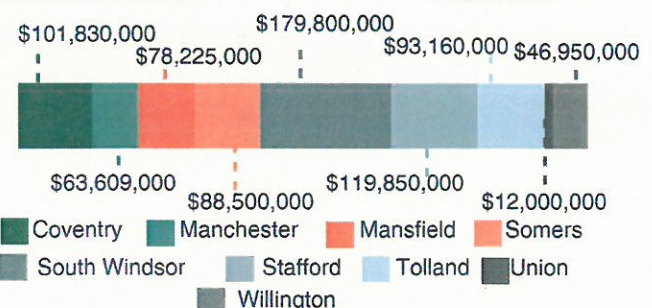
CRCOG's Ad Hoc Working Committee on Crumbling Foundations has been doing considerable work related to crumbling foundations.

- Recommendations on applying HSB 5180 for towns
- Recommended guidelines for towns in implementing fee waivers
- Created a qualified vendor list for structural engineering and remediation services
- Developed templates for funding distribution

Estimates - 8 Towns

ESTIMATED NUMBER OF HOMES (9 TOWNS): 4,774

REPLACEMENT COST ESTIMATES \$784 Million



9 municipalities have performed an estimate based on homes built in the time period and an estimate of the percentage of those homes that are affected

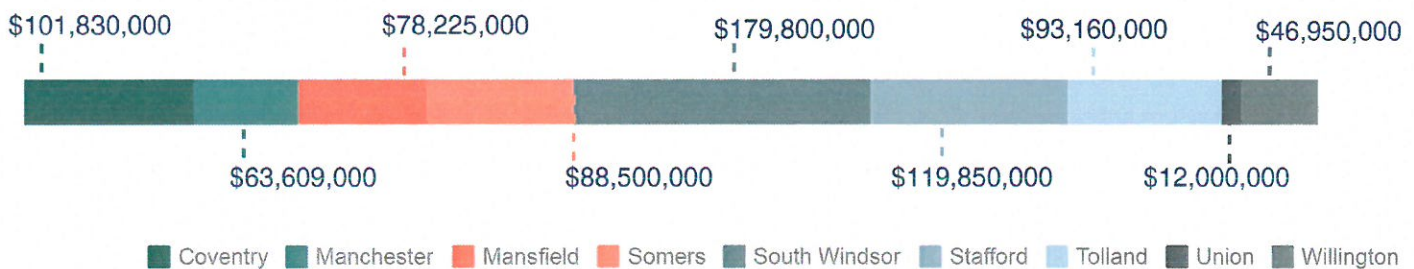
CRUMBLING FOUNDATIONS

OFFICIALLY REPORTED TO DATE

567

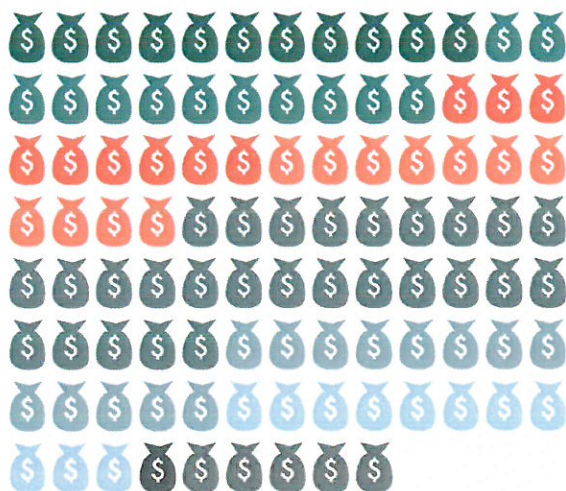
ESTIMATED NUMBER OF HOMES (9 TOWNS): 4,774

REPLACEMENT COST ESTIMATES \$783,924,000



*All estimates based solely on the towns reflected in the chart. Does not include all affected municipalities

**ESTIMATED TAXES WAIVED
(15 YEARS)
\$81,206,514**



**ESTIMATED BUILDING FEE
WAIVERS (15 YEARS)
\$8,589,500**



Model assumptions:

* Does not include additions, stand-alone garages, or other structures

** Assumes funding is announced to begin in 2018 and that all affected homes will eventually get reassessed

*** Foundation replacement will be over a long period due to contractor availability, homeowner ability to pay, and time differentials in discovery of the problem

^Official Reported numbers are compiled from DCP, CT Department of Insurance and individual municipalities and assumes overlap across all data

Fact Sheets for Affected Crumbling Foundation Homeowners

Name of Agency	FEMA Region I
Available Assistance as of 02/15/17	Non-Stafford FEMA Support
Description of Assistance	When there is no disaster declaration, FEMA can offer a Federal Senior Liaison to coordinate federal partners "core capabilities" to assist the state with technical experience. Federal partners can provide technical support, expertise, assessments, planning and external affairs. Current federal programs might be expanded to assist the state if eligible.
Frequently Asked Questions	
What is the eligibility criteria for this assistance?	
States are eligible for federal technical assistance and support in a non-declared event like the crumbling foundations.	
How does a homeowner apply for this assistance?	
In a Non-Stafford event, FEMA works only through the state.	
How long does it take to obtain approval?	
FEMA can immediately support the state with technical expertise and federal partner coordination.	
Essential Information	

Name of Agency	Federal Housing Administration (FHA)
Available Assistance as of 02/15/17	203(k) Rehab Mortgage Insurance
Description of Assistance	Enables homebuyers and homeowners to finance both the purchase (or refinancing) of a house and the cost of its rehabilitation through a single mortgage (long term, fixed or adjustable rates) or to finance the rehabilitation of their existing home.
Frequently Asked Questions	
What is the eligibility criteria for this assistance?	
The lender will explain the criteria homeowners have to meet in order to qualify. Usually include minimum credit scores, proof of income, etc.	
How does a homeowner apply for this assistance?	
Applications must be submitted through an FHA approved lender.	
How long does it take to obtain approval?	
What are eligible activities under the program?	
Eligible activities include repairing, reconstructing or elevating an existing foundation where the structure will not be demolished as well as elimination of health and safety hazards.	
What are the requirements of the program?	
The lender will explain the criteria homeowners have to meet in order to qualify. Requires that properties financed under this program meet certain basic energy efficiency and structural standard.	
What are other considerations?	
Essential Information	

Name of Agency	HUD				
Available Assistance as of 02/15/17	Community Development Block Grant (CDBG), CDBG Small Cities, CDBG-DR (Disaster Recovery) and Section 108				
Description of Assistance	CDBG funds may be used for such repairs as an eligible housing rehabilitation activity.				
Frequently Asked Questions					
What is the eligibility criteria for this assistance?					
The use of CDBG funds must generally be limited to households at or below 80% of the area median income. There are some exceptions to the income requirements.					
How does a homeowner apply for this assistance?					
The Towns of East Hartford and Manchester are Entitlement communities that can reprogram their CDBG funds. The remaining communities are eligible to apply for funding from the State of Connecticut's Small Cities CDBG program. The Towns of East Lyme and Franklin received CDBG-DR funds to address damage from Superstorm Sandy. However, these funds are of limited use in this case as they must be used for projects related to the effects of the disaster.					
How long does it take to obtain approval?					
What are eligible activities under the program?					
CDBG funds may be used for such repairs as an eligible housing rehabilitation activity and must generally be limited to households at or below 80% of local area median income. There are some exceptions to the income requirements under the slums and blight or interim assistance national objectives. Eligible activities include testing in a variety of ways and/or the replacement of a house foundation.					
What are the requirements of the program?					
Entitlement grantees must still meet the primary objective of the CDBG program by spending at least 70% of their funding on activities that benefit low- and moderate-income persons.					
What are other considerations?					
HUD's Section 108 Loan Guarantee program could allow the State to create a rehabilitation loan pool guaranteed by CDBG funds. The following table summarizes the CDBG funding status for each of these grantees:					
Grantee/ Grant	2015 Allocation	2016 Allocation	Line of Credit Balance (as of 1/6/17)	Unobligated/ Available to Commit	Available Section 108 Borrowing Capacity
Connecticut CDBG	\$11,990,905	\$12,162,864	\$25,975,042	\$2,892,500	\$60,814,320
Connecticut CDBG-DR (Sandy)	\$159,279,000	-	\$86,222,417	\$59,279,000	-
East Hartford	\$521,306	\$498,058	\$1,090,091	\$445,315	\$2,490,290
Manchester	\$542,387	\$534,623	\$970,582	\$809,820	\$2,673,115
Essential Information					

Name of Agency	USACE New England District – Concord, MA
Available Assistance as of 02/15/17	Silver Jackets Program
Description of Assistance	Reducing Flood Risk & other Natural Disasters
Frequently Asked Questions	
What is the eligibility criteria for this assistance?	
Natural Disasters	
How does a homeowner apply for this assistance?	
N/A for Homeowners	
How long does it take to obtain approval?	
N/A for Homeowners	
Essential Information	
Silver Jackets teams in states across the country bring together multiple state, federal, and sometimes tribal and local agencies to learn from one another and apply their knowledge to reduce the risk of flooding and other natural disasters in the United States and enhance response and recovery efforts when such events do occur.	

Name of Agency	United States Department of Agriculture, Rural Development
Available Assistance as of 02/15/17	502 Homeownership Loan
Description of Assistance	The Single Family Housing Direct Homeownership loan can be used to finance the purchase of new homes, but can also be used to finance repairs to homes that are damaged or deteriorated to a point of questionable habitability.
Frequently Asked Questions	
What is the eligibility criteria for this assistance?	
Low and very low income homeowners living in rural areas as defined by https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do .	
How does a homeowner apply for this assistance?	
Qualified homeowners may apply directly with our Windsor Area Office by calling (860) 688-7725 and asking that an application package be sent to them by mail or electronically.	
How long does it take to obtain approval?	
This is a mortgage-secured home loan and application timeframes are similar to those of commercial lenders.	
Essential Information	
The Single Family Housing Direct Homeownership loan is a direct loan from the United States Department of Agriculture. It is secured by a mortgage; therefore, the as-improved value of the property repaired subtracting outstanding debt must sufficient to cover the debt at a loan-to-value ratio of 1:1. Homeowners must be low or very low income and live in a rural area. Further, applicants must demonstrate repayment ability and meet credit qualification standards to obtain financing. Payment subsidy is available that may lower the effective rate of interest to as low as 1%, but is subject to recapture if the property's owner of title changes.	